

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**CITY OF IOWA CITY, IOWA**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**PREPARED BY:**

**DEPARTMENT OF FINANCE  
CITY OF IOWA CITY, IOWA**

# CITY OF IOWA CITY, IOWA

## TABLE OF CONTENTS

June 30, 2004

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Table of contents .....	1
Letter of transmittal .....	3
City organizational chart .....	10
Officials .....	11
Certificate of Achievement for Excellence in Financial Reporting .....	12
<b>FINANCIAL SECTION</b>	
INDEPENDENT AUDITOR'S REPORT .....	13
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	15
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements	
Statement of net assets .....	26
Statement of activities .....	28
Fund financial statements	
Balance sheet – governmental funds .....	30
Reconciliation of the balance sheet of the governmental funds to the statement of net assets ....	32
Statement of revenues, expenditures, and changes in fund balances – governmental funds .....	33
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities .....	35
Statement of revenues, expenditures, and changes in fund balances – budget and actual (budgetary basis)	
General fund .....	36
Employee benefits fund .....	39
Statement of net assets – proprietary funds .....	40
Statement of revenues, expenses, and changes in fund net assets – proprietary funds .....	43
Statement of cash flows – proprietary funds .....	44
Statement of fiduciary assets and liabilities .....	46
Notes to financial statements .....	47
<b>COMBINING AND INDIVIDUAL FUND STATEMENTS</b>	
Combining balance sheet – nonmajor governmental funds .....	74
Combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds .....	75
Combining statement of net assets – nonmajor enterprise funds .....	78
Combining statement of revenues, expenses, and changes in fund net assets – nonmajor enterprise funds .....	79
Combining statement of cash flows – nonmajor enterprise funds .....	80
Combining statement of net assets – internal service funds .....	82
Combining statement of revenues, expenses, and changes in fund net assets – internal service funds .....	83
Combining statement of cash flows – internal service funds .....	84
Combining statement of changes in assets and liabilities – agency funds .....	86

# CITY OF IOWA CITY, IOWA

## TABLE OF CONTENTS

June 30, 2004

	<u>Page</u>
<b>STATISTICAL SECTION (UNAUDITED)</b>	
Government-wide expenses by function .....	89
Government-wide revenues.....	90
General governmental expenditures by function and transfers to other funds .....	92
General governmental revenues by source and transfers from other funds .....	94
Property tax budgets and collections.....	96
Property tax rates and tax dollars budgeted.....	97
Property tax, road use tax, and hotel/motel tax revenues .....	98
Assessed and estimated actual value of taxable property and exempt property .....	99
Property tax rates – all direct and overlapping governments .....	100
Principal taxpayers and employers.....	101
Special assessment collections .....	102
Ratio of net general obligation bonded debt to assessed value and net bonded debt per capita .....	103
Ratio of annual debt service expenditures for general bonded debt to total general governmental expenditures .....	104
Computation of direct and overlapping debt.....	105
Schedule of revenue bond coverage .....	106
Demographic statistics .....	107
Property value, building permits, and bank deposits.....	108
Parking rates.....	110
Schedule of liability and property insurance in force.....	111
Miscellaneous statistical data .....	112
<b>COMPLIANCE SECTION</b>	
Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> .....	115
Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.....	117
Schedule of expenditures of federal awards.....	119
Notes to the schedule of expenditures of federal awards .....	121
Schedule of findings and questioned costs.....	122



November 15, 2004

To the Citizens, Honorable Mayor, Members  
of the City Council and City Manager  
City of Iowa City, Iowa

The Comprehensive Annual Financial Report (CAFR) of the City of Iowa City, Iowa (the City) for the fiscal year ended June 30, 2004 is submitted herewith in accordance with the provisions of Chapter 11 of the Code of Iowa. The City's Finance Department prepared this report. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rest with the City. I believe the information, as presented, is accurate in all material respects and presented in a manner designed to fairly present the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

This report consists of management's representation concerning the finances of the City of Iowa City. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The CAFR reflects all funds of the City in accordance with standards set by the Governmental Accounting Standards Board (GASB). In 1999, GASB adopted Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. The final effective date for the implementation of GASB No. 34 for the City of Iowa City was June 30, 2003. This report complies with those standards. This statement significantly changes governmental financial reporting in order to bring it closer to a private sector model.

To facilitate an understanding of the City's financial affairs, this report is organized into four sections: introductory, financial, statistical and compliance. The introductory section contains the table of contents, listing of City officials, an organizational chart and this letter of transmittal. The financial section contains the independent auditors' report, management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information. The statistical section contains comprehensive statistical data that is intended to provide a broader and more complete understanding of

the financial and economic trends of the City. The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including the schedules of federal financial assistance, findings and questioned costs, and independent auditors' reports on the internal accounting and administrative controls and compliance with applicable laws and regulations, are included in the compliance section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The City of Iowa City's financial statements have been audited by Eide Bailly, LLP of Dubuque, Iowa, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Iowa City's financial statements for the fiscal year ended, June 30, 2004, are fairly presented in conformity with GAAP.

### **Profile of the Government**

The City of Iowa City was incorporated April 6, 1853. The City is governed by a seven member Council; each member serves a four-year term. Elections are held every two years allowing for continuation in office of at least three members at each biennial election. The Council members are elected at large, but three members are nominated from specific districts, and the four other members are nominated at large. The Council elects the Mayor from its own members for a two-year term.

The City Council is the legislative body and makes all policy determinations for the City through the enactment of ordinances and resolutions. It also adopts a budget to determine how the City will obtain and spend its funds. The Council appoints members of boards, commissions and committees.

The City Manager is the chief administrative officer for the City and is appointed by the City Council. The City Manager implements policy decisions of the City Council and enforces City ordinances. In addition, the City Manager appoints and directly supervises the directors of the City's operating departments and supervises the administration of the City's personnel system. He supervises 532 full-time and 88 permanent part-time municipal employees and 706 temporary employees including a police force of 71 sworn personnel and a fire department of 56 firefighters. The City owns and operates its water supply and distribution system and sewage collection and treatment system with secondary treatment also provided. Virtually the entire City has separate storm and sanitary sewer systems. The City operates a municipal off-street and on-street parking system in the downtown area. Since 1971, the City has operated a transit system.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager in October. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review in December. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than March 15. The appropriated budget is prepared by fund, function (e.g., Public Safety), and department (e.g., Police).

The City adopts a three-year financial plan that includes both operations and capital improvements. This three-year plan permits a more comprehensive review of the City's financial condition, allowing analysis of the current and future needs and requirements. During preparation of the plan, careful review is made of property tax levy rates, utility and user fee requirements, ending cash balances by fund, debt service obligations, bond financing needs, capital outlay for equipment purchases and major capital improvement projects. The state requires at least a one-year operating budget. While legal spending control is exercised at a state mandated function level, management control is set at the Department Manager level. Encumbrance accounting is utilized in all funds for budgetary control. Encumbrances outstanding at year-end for the governmental fund types are reflected as reservations of the fund balances. Appropriations that are not encumbered lapse at the end of the year.

### **Economic Condition and Outlook**

The City's economic strength is based upon education, medical services, and diversified manufacturing. The University of Iowa is the City's largest employer with over 23,500 employees and the University of Iowa Hospitals and Clinics is the largest university-owned teaching medical center in the United States. The City also has a significant number of private employers who have a history of providing stable and increasing employment in the community. The relative stability of the University of Iowa, coupled with the City's multi-sector base of industrial and commercial interests, will continue to help insulate the City from the significant negative economic impacts related to unemployment.

The City continues to see sustained production in our major local industries, such as ACT, Proctor & Gamble, and Pearson. Continued economic development efforts involving the Iowa City and Coralville Chambers of Commerce, local private interests, the University of Iowa and other surrounding communities through participation as members of the Iowa City Area Development Group, have proved positive with the retention and expansion of businesses. In addition, the corridor between Iowa City and Cedar Rapids has been identified as one of the major growth areas for new business development in the State of Iowa. Continued developments within Iowa City and the region have a favorable impact upon the City's economy.

Currently there are budget challenges facing the State of Iowa, however, the City's economy as a whole continues to grow. The major employers have been able to maintain their workforce size. The unemployment rate for Johnson County continues to remain low at between 3.2% and 4.0%. The City has consistently experienced modest increases in assessed property valuations. New housing construction continues to be relatively strong with 193 new single-family houses and 485 multi-family units added to the tax rolls for the year ended December 31, 2003. This, along with the low unemployment rate, continues to be indicative of the City's economic well being.

The 2000 census population of Iowa City was 62,220. After further review by the United Census Bureau, the population was revised to 62,380 in 2002. This represents a 4.42% increase over the 1990 population of 59,738.

In preparing the financial plan for the three years ending June 30, 2007, the process of budget balancing has again been most difficult. With the continued tax limitations imposed by the state (specifically the residential rollback factor) and other federal and state regulations and mandates, the municipal service needs for our growing community are becoming increasingly difficult to satisfy.

In balancing the budget for the three-year period, the City attempted to maintain service levels, wherever practical. In addition, our planning has been directed at maintaining our current fiscal strength and avoiding any erosion of that fiscal position, including the City's Aaa bond rating.

A continuing major objective in the three-year financial plan is to maintain or increase the City's cash reserve position. In addition, procedures were adopted to allocate unreserved fund balances between the contingency and undesignated fund balances. The contingency fund is available during the fiscal year for unanticipated and unbudgeted expenditures, while the undesignated fund balance is intended to be maintained as working capital. The City is committed to drawing from the undesignated fund balance only in emergency situations. This unreserved fund balance allocation along with specific budgeting techniques has allowed the City to increase or maintain fund balances over the past year.

The City continues to pursue cooperative efforts with other local governments. Joint funding, purchasing, planning and other efforts allow the City to meet mandates for new and improved services in the future at the most reasonable cost. Joint cooperation currently encompasses regional transportation planning, human services, solid waste management planning, a hazardous materials response program, an enhanced 911 emergency communications system, community relations, joint operation of an animal control facility, joint operation of an indoor swimming pool facility, and joint economic development efforts. While such cooperative efforts are not new in concept, the City expects to enter into more agreements with neighboring governmental subdivisions, as well as with the University of Iowa.

There are many signs that the City remains healthy and vibrant with great promise for the future. The University of Iowa continues to add new buildings and facilities. The City continues to see sustained production in major local industries. Industrial and commercial interests within the community have continued to thrive.

The City will be challenged during the next couple of years to maintain its vitality through greater economic development efforts, fiscal restraint in local government, and continued cooperation among local government officials. We are confident that the City is positioning itself to better meet the needs of the community in the future through more effective long-term financial planning, and increased financial strength and stability of the City. The City Council and its staff are committed to managing the City's destiny well into the future.

### **Major Initiatives**

The Court Street Transportation Center was begun in FY02 with design and land acquisition costs. Land acquisition was completed in FY03 with construction beginning in FY04. The transportation center, located in downtown Iowa City, will provide a park-and-ride facility, interstate bus service, taxi service, a parking facility and a day care center. \$10.2 million in federal grants will fund the \$12.8 million facility. Completion is set for FY05.

The City continues to be proactive in maintaining and building its streets, bridges, stormwater mains, and trail systems and spent approximately \$4.8 million in fiscal year 2004 on various projects.

Mormon Trek Boulevard Extension was begun in FY02 with design costs. Land acquisition was completed in FY03 and construction began in FY04 on Phase 1. When all phases are completed, the roadway will serve a combination of through and local traffic needs. Estimated costs for the entire project total \$7.6 million with \$1.8 million in federal funding.

The Plaza Towers is a \$27 million mixed-use project on Iowa City's last downtown urban renewal parcel. The project will include a full-service grocery store, conference space, luxury hotel suites, and residential units. Commercial office and retail space is also planned. The project uses tax increment financing with the City's contribution being up to \$6 million in taxable General Obligation bonds issued in March 2004, repayable from taxes generated in the downtown urban renewal district.

The Iowa City Housing Authority provides rental assistance for 1213 units, with an annual contribution contract with the Federal Government of \$6.6 million. Community Development Block Grant and HOME

Investment Partnership funds totaling approximately \$1.6 million were utilized for economic development, housing, public services and facilities, and planning activities during fiscal year 2004. These programs provide for broad based financial impacts locally for builders, developers, and others.

### **Financial Information**

**Single Audit:** As a recipient of federal financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal accounting and administrative controls are subject to periodic evaluation by the City's management.

The results of the City's single audit for the fiscal year ended June 30, 2004 provided no instances of material weaknesses in the internal controls or significant violations of applicable laws and regulations based upon the audit of the basic financial statements.

**Retirement Plans:** With the exception of police and fire employees, substantially all permanent City employees are covered by the Iowa Public Employees Retirement System (IPERS). The state annually sets the contribution rate for all municipal entities and covered employees. All covered employees are required to contribute 3.7% of their salary, while employers contribute 5.75%. There is no allocation or measurement of unfunded liability to any municipal entity and, upon the retirement of employees, IPERS has the sole responsibility for their benefits. The City has no responsibility to pay employee pension benefits of IPERS besides the required contribution.

The City's police and fire employees are covered by the Municipal Fire and Police Retirement System of Iowa (MFPRSI). This statewide system is a cost-sharing multiple-employer public employee retirement system. The state annually sets the contribution rate for all municipal entities and employees. The City has no responsibility to pay employee pension benefits of MFPRSI besides the required contribution.

**Cash Management:** The majority of the City's investment activity is carried on by the City's investment pool, except for those funds which are required to maintain their investments separately. This pooled concept provides for greater investment earnings that are then allocated to the City's funds on a systematic basis.

The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Idle cash is invested in various instruments with various maturity dates of less than one year, depending on the anticipated cash requirements during the period.

The overall strategy of holding deposits and making investments is to expose the City to a minimum amount of credit risk and market risk. All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the State of Iowa Sinking Fund.

For the year ended June 30, 2004, the City earned \$2,047,000 from all investments, a decrease of \$454,000 from the prior year. The following table shows how this was allocated by fund type for the fiscal years 2004 and 2003:

<u>Fund Type</u>	<u>2004</u> <u>Investment</u> <u>Earnings</u> <u>(in thousands)</u>	<u>2003</u> <u>Investment</u> <u>Earnings</u> <u>(in thousands)</u>
Governmental	\$ 989	\$ 1,196
Proprietary	1,058	1,305
Totals	<u>\$ 2,047</u>	<u>\$ 2,501</u>



**Risk Management:** The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance.

Risk control techniques have been established to reasonably ensure that the City's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned by or under the control of the City. Furthermore, supervisory personnel are held responsible for monitoring risk control techniques on an operational basis. The City completed its fifteenth year under a property and liability insurance program that provides for a \$200,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$300,000 self-insured retention on workers' compensation losses, with an annual aggregate retention of \$425,000 on property losses. The insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$10,000,000 annual aggregate of the losses paid. The operating funds pay annual premiums to the Loss Reserve Fund, which is accounted for as an internal service fund. The balance in the Loss Reserve Fund is available to cover the self-insured retention amounts and any uninsured losses. The total assets in the Loss Reserve Fund as of June 30, 2004 were \$4,575,000.

**Independent Audit:** Chapter 11 of the Code of Iowa requires an annual audit to be performed. The independent public accounting firm of Eide Bailly LLP was selected by the City. In addition to meeting the requirements set forth in Chapter 11, the audit was also designed to meet the requirements of the Single Audit Act of 1996 and related OMB Circular A-133. The independent auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The independent auditors' reports related specifically to the single audit are included in the compliance section of this report.

The financial statements are the responsibility of the City. The responsibility of the certified public accountants is to express an opinion on the City's financial statements based on their audit. An audit is conducted in accordance with generally accepted auditing standards. Those standards require that the audit be planned and performed in a manner to obtain a reasonable assurance as to whether the financial statements are free of material misstatement.

### **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (the Certificate) to the City of Iowa City, Iowa for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. The Certificate is the highest form of recognition for excellence in state and local financial reporting.

In order to be awarded the Certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The Certificate is valid for a period of one year only. The City has received the Certificate for the last nineteen consecutive years. I believe our current report continues to conform to the Certificate requirements and am submitting it to GFOA to determine its eligibility for another certificate.

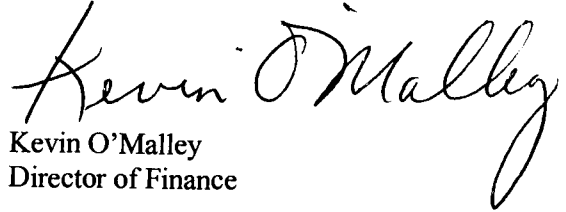
### **Responsibility and Acknowledgments**

The Department of Finance prepared the Comprehensive Annual Financial Report of the City of Iowa City, Iowa for the fiscal year ended June 30, 2004. The City Council, as required by law, is responsible for the complete and accurate preparation of the City's Comprehensive Annual Financial Report. I believe that the information presented is accurate in all material respects and that this report fairly presents the financial position and results of operations of the various funds of the City.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the City's Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. I want to especially recognize the contributions of the City's Assistant Finance Director, Erin Herting, Assistant Controller, Sara Sproule, Senior Accountant, Ann Maurer, and Internal Auditor, Robin Marshall.

Also, I thank the Mayor, members of the City Council and the City Manager for their interest and support in planning and conducting the financial operations of the City in a dedicated, responsible, and progressive manner.

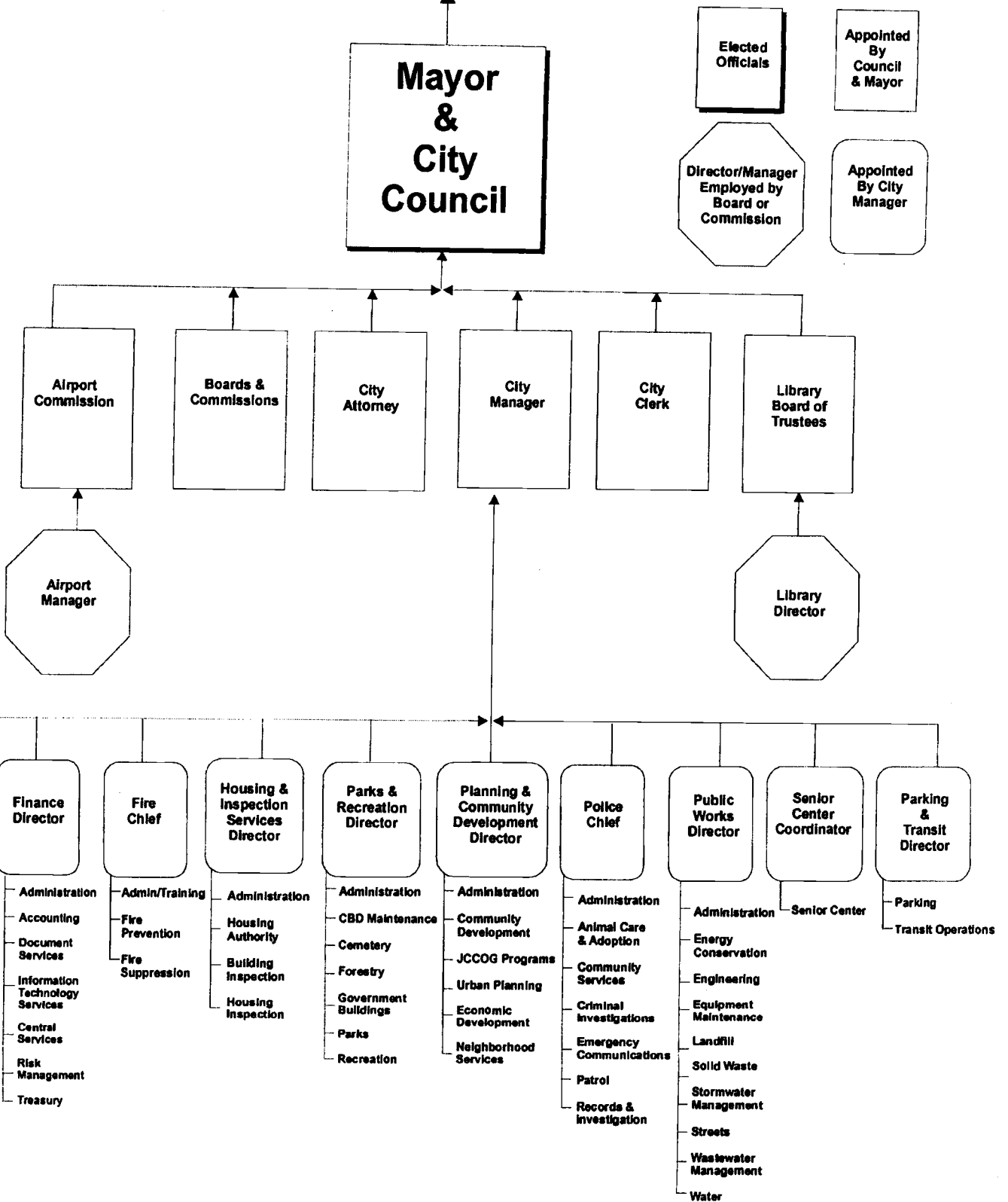
Respectfully submitted,

A handwritten signature in black ink, reading "Kevin O'Malley". The signature is fluid and cursive, with a large, stylized "O" and a long, sweeping tail on the "y".

Kevin O'Malley  
Director of Finance

# Citizens of Iowa City

## Key



**CITY OF IOWA CITY, IOWA**  
**LISTING OF CITY OFFICIALS**

June 30, 2004

**ELECTED OFFICIALS**

		<u><b>Term Expires</b></u>
Mayor	Ernie Lehman	January 1, 2006
Council Member	Regenia Bailey	January 1, 2008
Council Member	Connie Champion	January 1, 2006
Council Member	Bob Elliott	January 1, 2008
Council Member	Mike O'Donnell	January 1, 2006
Council Member	Dee Vanderhoef	January 1, 2008
Council Member and Mayor Pro tem	Ross Wilburn	January 1, 2008

**APPOINTED OFFICIALS**

		<u><b>Date of Hire</b></u>
City Manager	Stephen J. Atkins	July 20, 1986
City Clerk	Marian K. Karr	May 21, 1979
City Attorney	Eleanor Dilkes	March 18, 1996

**DEPARTMENT DIRECTORS**

Assistant City Manager	Dale E. Helling	August 16, 1975
Director of Housing and Inspection Services	Douglas W. Boothroy	September 22, 1975
Library Director	Susan Craig	July 28, 1975
Director of Planning & Community Development	Karin Franklin	May 19, 1980
Director of Public Works	Rick Fosse	February 22, 1984
Director of Parking and Transit	Joseph Fowler	January 2, 1970
Senior Center Coordinator	Linda Kopping	March 20, 1995
Airport Manager	Ronald J. O'Neil	February 4, 1985
Fire Chief	Andrew Rocca	July 14, 1978
Parks and Recreation Director	Terry G. Trueblood	February 18, 1986
Chief of Police	R. J. Winkelhake	June 12, 1989
Director of Finance	Kevin O'Malley	August 19, 1985

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Iowa City

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

## INDEPENDENT AUDITOR'S REPORT

---

To the Honorable Mayor and  
Members of the City Council  
City of Iowa City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Iowa City. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Employee Benefits Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 15 through 24 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Iowa City, Iowa. The introductory section, combining nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget A-133, *Audits of State, Local Government, and Non-Profit Organization*, and is also not a required part of the basic financial statements of the City of Iowa City, Iowa. The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Eric Bailey* LLP

Dubuque, Iowa  
November 15, 2004

## Management's Discussion and Analysis

As management of the City of Iowa City, we present this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. This narrative is intended to be used in conjunction with additional information that is included in the letter of transmittal, which can be found on pages 3 – 9 of this report.

### Financial Highlights

- The assets of the City of Iowa City exceeded its liabilities at the close of the fiscal year ending June 30, 2004 by \$298,490,000 (net assets). Of this amount, \$47,946,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$16,705,000 during the fiscal year. Governmental activities increased by \$8,534,000 and business-type activities increased by \$8,171,000.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$36,565,000, an increase of \$1,985,000 in comparison with the prior year. Of this total amount, approximately \$27,562,000, or 75% was unreserved and is available for spending at the City's discretion.
- At the end of the current fiscal year, the City's unreserved, undesignated fund balance for the General Fund was \$14,301,000, or 37% of total General Fund expenditures.
- The City's total debt increased by \$1,385,000, during the current fiscal year. The key factors to this increase were the retirement of bonds and issuance of new bonds.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include Public Safety, Public Works (roads, traffic controls, and transit), Culture and Recreation, Community and Economic Development, General Government, and Interest on long-term debt. The business-type activities of the City include Airport, Cable Television, Housing Authority, Parking, Sanitation, Stormwater Collection, Wastewater Treatment, and Water.



The government-wide financial statements can be found on pages 26 – 29 of this report.

**Fund Financial Statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements and is typically the basis that is used in developing the next annual budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City has four major governmental funds: General Fund, Employee Benefits Fund, Capital Projects - Other Construction Fund, and Debt Service Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for these major funds. Data from all other non-major governmental funds is combined into a single aggregated presentation and are referenced under a single column as "Other Governmental Funds". Individual fund data on each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds as required by state statute. Budget comparisons have been provided for the General Fund and the major special revenue fund, Employee Benefits fund, to demonstrate compliance with the adopted budget.

The basic governmental funds financial statements can be found on pages 30 – 35 of this report.

**Proprietary Funds:** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Airport, Cable Television, Housing Authority, Parking, Sanitation, Stormwater Collection, Wastewater Treatment, and Water activities. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City has four Internal Service Funds: Equipment Maintenance, Central Services, Loss Reserve, and Information Technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Wastewater Treatment, Water, Sanitation, and Housing Authority Funds are considered to be major funds and are reported individually throughout the report. The other 4 non-major enterprise funds are grouped together for reporting purposes and listed under a single heading "Other Enterprise Funds". Detailed information for each of the non-major funds is provided in the combining statements on pages 78 - 80. Individual fund data for the Internal Service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 40 – 45 of this report.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not available to support the City's own programs and therefore are not reflected in the government-wide financial statements. The City has four fiduciary funds: Project Green, Library Foundation, Parks and Recreation Foundation, and PATV (Public Access Television) which are maintained as an agency funds.

The basic fiduciary funds financial statements can be found on page 46.

**Notes to Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 – 71 of this report.

**Other Information:** The combining statements referred to in the above paragraphs in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the notes.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$298,490,000 at the close of the fiscal year ended June 30, 2004.

By far, the largest portion of the City's net assets reflect its investment in capital assets (e.g., land, building, machinery and equipment, improvements other than buildings, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### City of Iowa City's Net Assets June 30, 2004 (amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2003		2003		2003	
	2004	as restated	2004	as restated	2004	as restated
Current and other assets	\$ 94,819	\$ 86,998	\$ 79,114	\$ 75,596	\$173,933	\$ 162,594
Capital assets	132,588	120,263	260,115	263,181	392,703	383,444
Total Assets	227,407	207,261	339,229	338,777	566,636	546,038
Long-term liabilities outstanding	81,125	73,277	132,449	138,434	213,574	211,711
Current and other liabilities	49,787	46,023	4,785	6,519	54,572	52,542
Total Liabilities	130,912	119,300	137,234	144,953	268,146	264,253
Net assets:						
Invested in capital assets, net of related debt	67,090	48,536	150,817	136,398	217,907	184,934
Restricted	17,705	22,499	14,932	24,420	32,637	46,919
Unrestricted	11,700	16,926	36,246	33,006	47,946	49,932
Total Net Assets	\$ 96,495	\$ 87,961	\$ 201,995	\$ 193,824	\$298,490	\$ 281,785

A portion of the City's net assets (10.9% or \$32,637,000) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets (16.1% or \$47,946,000) may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the fiscal year ended June 30, 2004, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

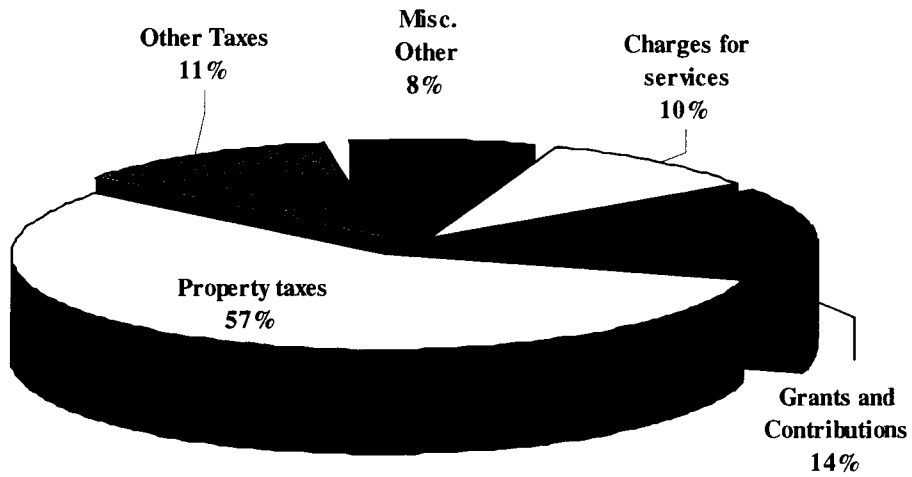
**Governmental Activities:** Governmental activities increased the City's net assets by \$8,534,000. The increase in net assets of governmental activities is primarily due to expenditures for capital assets less depreciation expense.

The following is a more detailed review of FY04's operation.

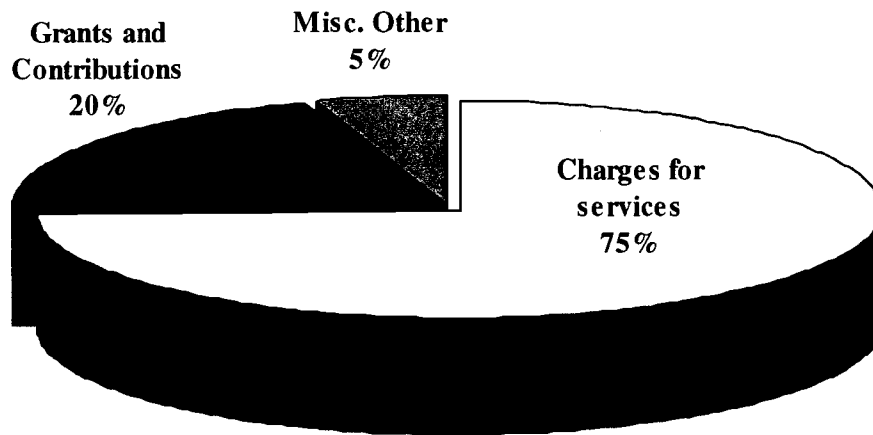
City of Iowa City's Changes in Net Assets (amounts expressed in thousands)						
	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for services	\$ 6,102	\$ 6,378	\$ 34,075	\$ 32,988	\$ 40,177	\$ 39,366
Operating grants and contributions	2,150	2,965	6,959	6,659	9,109	9,624
Capital grants and contributions	6,198	2,205	2,253	1,717	8,451	3,922
General Revenues:						
Property taxes	34,173	32,257	-	-	34,173	32,257
Road use tax	5,311	5,144	-	-	5,311	5,144
Other taxes	1,609	1,399	-	-	1,609	1,399
Earnings on investments	1,056	1,207	991	1,305	2,047	2,512
Gain (loss) on disposal of capital asset:	65	(1,726)	1,009	315	1,074	(1,411)
Other	3,746	3,174	335	994	4,081	4,168
Total revenues	60,410	53,003	45,622	43,978	106,032	96,981
Expenses:						
Public safety	15,015	13,844	-	-	15,015	13,844
Public works	10,423	11,539	-	-	10,423	11,539
Culture and recreation	12,051	10,131	-	-	12,051	10,131
Community and economic development	2,580	3,133	-	-	2,580	3,133
General government	6,527	6,251	-	-	6,527	6,251
Interest on long-term debt	3,440	3,662	-	-	3,440	3,662
Wastewater Treatment	-	-	12,344	12,086	12,344	12,086
Water	-	-	8,011	7,861	8,011	7,861
Sanitation	-	-	6,103	4,082	6,103	4,082
Housing Authority	-	-	7,219	6,519	7,219	6,519
Parking	-	-	3,898	3,554	3,898	3,554
Airport	-	-	515	431	515	431
Stormwater	-	-	652	-	652	-
Cable Television	-	-	549	687	549	687
Total expenses	50,036	48,560	39,291	35,220	89,327	83,780
Change in net assets before transfers	10,374	4,443	6,331	8,758	16,705	13,201
Transfers	(1,840)	1,444	1,840	(1,444)	-	-
Change in net assets	8,534	5,887	8,171	7,314	16,705	13,201
Net assets beginning of year, as restated	87,961	82,074	193,824	186,510	281,785	268,584
Net assets end of year	\$ 96,495	\$ 87,961	\$ 201,995	\$ 193,824	\$ 298,490	\$ 281,785

**Business-type Activities:** Business-type activities increased the City's total assets by \$8,171,000. The increases in net assets were primarily in the Wastewater, Water, and Sanitation funds. For all business-type activities, revenues exceeded expenses by \$6,331,000. This was primarily due to increases in revenue derived from charges for services and miscellaneous revenue. Also there was an increase in transfers in and a decrease in transfers out for those funds.

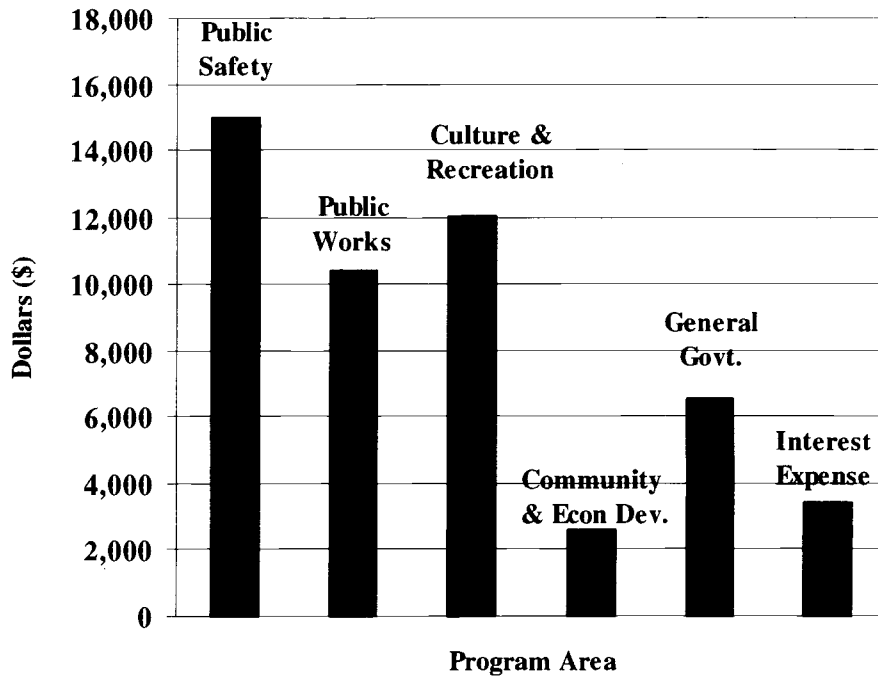
**Governmental Activities  
FY2004 Revenue  
by Source**



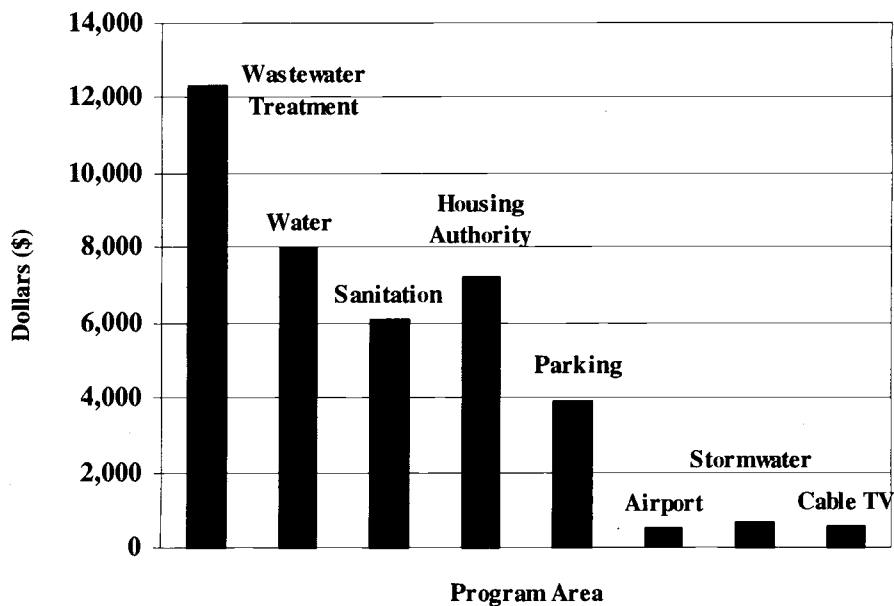
**Business-Type Activities  
FY2004 Revenue  
by Source**



**Governmental Activities  
FY2004 Expenditures  
by Program Area**  
(amounts expressed in thousands)



**Business-Type Activities  
FY2004 Expenditures  
by Program Area**  
(amounts expressed in thousands)



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The financial reporting focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be/is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the fiscal year ended June 30, 2004, the City's governmental funds reported combined ending fund balances of \$36,565,000, an increase of \$1,985,000 in comparison with the prior year. Of this total amount, \$27,562,000 constitutes unreserved fund balance, which is available to use as working capital for the General Fund since property tax revenues are received only twice a year and the remainder is available to meet the future needs of the City. The remainder of the fund balance (25%) is reserved to indicate that it is not available for new spending because it has already been committed. This remainder has been committed 1) to liquidate contracts and purchase orders of the prior period (\$194,000), 2) to fund various debt service payments (\$6,930,000), and 3) to fund employee retirement commitments (\$1,544,000).

The General Fund is the chief operating fund of the City. As of the fiscal year ended June 30, 2004, the unreserved fund balance of the General Fund was \$14,301,000, while General Fund's total fund balance was \$14,697,000. As a measure of the General Fund's liquidity, it may be useful to compare both "unreserved fund balance" and "total fund balance" to "total fund expenditures". Unreserved fund balance represents 37% of total General Fund expenditures (\$38,616,000), while total fund balance represents 38% of that same amount.

The fund balance of the City's General Fund increased by \$1,370,000 during the current fiscal year. A key factor in this increase were reductions of expenditures due to City Council response to State Legislature reducing state-shared revenues in FY04.

**Proprietary Funds:** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The ending net assets of the enterprise funds were \$196,317,000, a net asset increase of \$7,921,000. This was primarily due to an increase in the investment of capital assets, net of related debt. Of the enterprise funds' net assets, \$150,817,000 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$30,683,000, an increase of \$2,772,000 compared to the previous year.

The Internal Service funds showed net assets totalling \$14,629,000 as of June 30, 2004, an increase of \$580,000 from the previous year.

## Budgetary Highlights

**General Fund:** Revenues for the general fund operations were less than the final amended budget by \$1,803,000, but departmental expenditures on a budgetary basis were less than the final appropriated amounts by \$2,447,000. During the year, revenues were 4.3% less than the final amended budget and expenditures were 5.7% less than the final amended budget. This was due to prospective land sales that did not materialize in the fiscal year. In the capital project financing of the November 2003 General Obligation bonds, a budgetary transfer for the payment of capital outlay was not included and thus the transfer did not occur in FY04.

Differences between original budget and the final amended budget of the general fund were minor. For revenues and other financing sources, the final amended budget was 3.4% more than the original budget and the final amended budget for expenditures and other financing uses was 3.8% more than the original budget. Upon recognition of the loss of intergovernmental revenue from the State, the City initiated revenue increases in the General Fund by raising charges for services. There also were increased budgeted transfers from the reserve fund. Expenditures for increased maintenance on the City's capital assets by City employees were deferred. A schedule detailing this activity can be found on pages 36 – 39.

### Capital Assets and Debt Administration

**Capital Assets:** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounts to \$392,703,146 (net of accumulated depreciation). This investment in capital assets, including land, buildings, improvements other than buildings, equipment, streets, bridges, trails, wastewater and water systems, and other infrastructure represents the value of resources utilized to provide services to its citizens. The City's investment in capital assets for the fiscal year ended June 30, 2004 increased by \$12,324,507 for governmental activities compared to the prior year and decreased by \$3,064,792 for business-type activities over the prior year, based on the restated July 1, 2003 capital assets.

The following table reflects the \$392,703,146 investment in capital assets (net of accumulated depreciation).

#### City of Iowa City's Capital Assets (net of depreciation)

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003 (as restated)	2004	2003 (as restated)	2004	2003 (as restated)
Land	\$ 12,381	\$ 11,786	\$ 22,226	\$ 22,226	\$ 34,607	\$ 34,012
Buildings	33,903	18,132	91,045	93,973	124,948	112,105
Improvements other than buildings	2,938	2,602	9,377	9,351	12,315	11,953
Machinery and equipment	11,225	11,117	14,330	15,127	25,555	26,244
Infrastructure	60,846	56,098	118,873	117,536	179,719	173,634
Construction in progress	11,295	20,528	4,264	4,967	15,559	25,495
<b>Total</b>	<b>\$ 132,588</b>	<b>\$ 120,263</b>	<b>\$ 260,115</b>	<b>\$ 263,180</b>	<b>\$ 392,703</b>	<b>\$ 383,443</b>

Major capital asset events during the current fiscal year included the following:

- Expansion of the Iowa City Public Library was completed in FY04; capital assets for this project totaled \$15,765,000.
- Court Street Transportation Center that will include facilities for interstate bus service, taxi service, a parking facility and day care center began construction in FY04; CIP at fiscal year end totaled \$5,039,000.
- The extension of Mormon Trek Boulevard from Highway 1 to Highway 921 and accompanying sanitary sewer construction continued in FY04 with CIP at fiscal year end for both projects totaling \$3,925,000.
- Scott Boulevard from ACT to Rochester Avenue was completed in FY04 and added to the capital assets at a value of \$2,886,000.
- A variety of street and storm sewer construction in new residential areas and replacement and expansion of existing infrastructure amounted to \$5,294,000.

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

**Debt Administration:** At the end of the fiscal year, the City had total bonded debt outstanding of \$204,695,000. Of this amount, \$88,985,000 comprises debt backed by the full faith and credit of the City. However, 11% of this total, \$9,640,400 is debt that serves enterprise funds and is abated by their charges for services. The remaining \$115,710,000 represents revenue bonds secured solely by specific revenue sources.

**City of Iowa City's Outstanding Debt  
General Obligation and Revenue Bonds**  
(amounts expressed in thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
General obligation bonds	\$ 79,345	\$ 71,641	\$ 9,640	\$ 11,359	\$ 88,985	\$ 83,000
Revenue bonds	-	-	115,710	120,310	115,710	120,310
<b>Total</b>	<b>\$ 79,345</b>	<b>\$ 71,641</b>	<b>\$ 125,350</b>	<b>\$ 131,669</b>	<b>\$ 204,695</b>	<b>\$ 203,310</b>

The City's total bonded debt increased by \$1,385,000 during the current fiscal year.

- The City issued \$5,570,000 in General Obligation bonds during FY04. The bonds were used to finance the cost of the City's 2004 Capital Improvements Program.
- The City issued \$7,305,000 in Taxable General Obligation bonds to finance the costs of aiding in the planning, undertaking and carrying out of urban renewal projects in connection with the Plaza Towers.

The City continues to have the same excellent bond rating on its General Obligation bonds that it has had for the past several years. This rating is given to those bonds judged to be of the best quality and carrying the smallest degree of investment risks. The City's bond ratings by Moody's Investors Services, Inc. as of June 30, 2004 were as follows:

General obligation bonds	Aaa
Parking revenue bonds	A
Wastewater treatment revenue bonds	A
Water revenue bonds	A

The City continues to operate well under the State debt capacity debt limitations. State statute limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in Iowa City. The current debt limitation for the City is \$148,762,705. With outstanding General Obligation Debt applicable to this limit of \$85,085,000 we are utilizing 57% of this limit.

More detailed information on debt administration is provided in note 6 of the financial statements on pages 60 – 64.

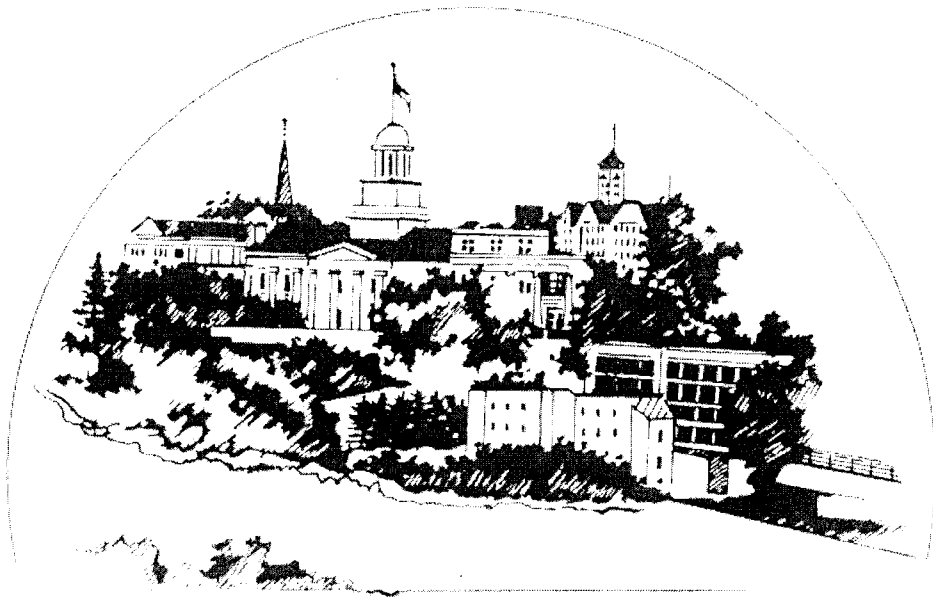
### **Economic Factors and Next Year's Budget and Rates**

The City's expectation is continued constraints by the State property tax formula. Therefore, the City will not have opportunities for new initiatives and will strive to maintain current service delivery levels.



### **Requests for Information**

This report is designed to provide a general overview of the City of Iowa City's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to City of Iowa City, Finance Department, 410 E. Washington Street, Iowa City, IA, 52240.



**CITY OF IOWA CITY, IOWA**  
**STATEMENT OF NET ASSETS**

June 30, 2004  
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Equity in pooled cash and investments	\$ 43,378	\$ 30,746	\$ 74,124
Receivables:			
Property tax	35,038	-	35,038
Accounts and unbilled usage	267	3,401	3,668
Interest	257	221	478
Notes	8,500	1,367	9,867
Internal balances	(6,146)	6,146	-
Due from other governments	4,786	147	4,933
Prepaid insurance	5	-	5
Inventories	341	323	664
Restricted assets:			
Equity in pooled cash and investments	8,393	36,763	45,156
Capital assets:			
Land and construction in progress	23,675	26,490	50,165
Other capital assets (net of accumulated depreciation)	108,913	233,625	342,538
Total assets	<u>227,407</u>	<u>339,229</u>	<u>566,636</u>
<b>Liabilities</b>			
Accounts payable	2,345	416	2,761
Contracts payable	3,603	507	4,110
Accrued liabilities	2,427	232	2,659
Interest payable	388	2,850	3,238
Deposits	787	676	1,463
Due to other governments	-	104	104
Deferred revenue	40,237	-	40,237
Noncurrent liabilities:			
Due within one year:			
Employee vested benefits	850	189	1,039
Bonds payable	9,357	6,067	15,424
Due in more than one year:			
Employee vested benefits	872	198	1,070
Bonds payable	70,046	118,120	188,166
Landfill closure/post-closure liability	-	7,875	7,875
Total liabilities	<u>130,912</u>	<u>137,234</u>	<u>268,146</u>

(continued)

**CITY OF IOWA CITY, IOWA**  
**STATEMENT OF NET ASSETS (continued)**

June 30, 2004  
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 67,090	\$ 150,817	\$ 217,907
Restricted for or by:			
Employee benefits	1,544	-	1,544
Capital projects	4,747	-	4,747
Debt service	6,930	-	6,930
Streets	4,431	-	4,431
Other purposes	53	-	53
Bond ordinance	-	12,540	12,540
State statute	-	315	315
Future improvements	-	115	115
Grant agreement	-	1,962	1,962
Unrestricted	<u>11,700</u>	<u>36,246</u>	<u>47,946</u>
 Total net assets	 <u>\$ 96,495</u>	 <u>\$ 201,995</u>	 <u>\$ 298,490</u>

*The notes to the financial statements are an integral part of this statement.*

# CITY OF IOWA CITY, IOWA

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

<b>Functions/Programs:</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
Public safety	\$ 15,015	\$ 3,038	\$ 126	\$ 91
Public works	10,423	1,006	714	6,079
Culture and recreation	12,051	630	3	-
Community and economic development	2,580	-	1,307	28
General government	6,527	1,428	-	-
Interest on long-term debt	3,440	-	-	-
Total governmental activities	<u>50,036</u>	<u>6,102</u>	<u>2,150</u>	<u>6,198</u>
<b>Business-type activities:</b>				
Wastewater Treatment	12,344	12,580	-	968
Water	8,011	9,164	-	452
Sanitation	6,103	7,111	9	-
Housing Authority	7,219	219	6,950	-
Parking	3,898	4,011	-	-
Airport	515	213	-	116
Stormwater	652	104	-	717
Cable television	549	673	-	-
Total business-type activities	<u>39,291</u>	<u>34,075</u>	<u>6,959</u>	<u>2,253</u>
<b>Total</b>	<u>\$ 89,327</u>	<u>\$ 40,177</u>	<u>\$ 9,109</u>	<u>\$ 8,451</u>

### General revenues:

Property taxes, levied for general purposes

Road use tax

Hotel/motel tax

Gas and electric tax

Bank franchise tax

Earnings on investments

Gain on disposal of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets beginning of year (as restated)

Net assets end of year

*The notes to the financial statements are an integral part of this statement.*

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (11,760)	\$ -	\$ (11,760)
(2,624)	-	(2,624)
(11,418)	-	(11,418)
(1,245)	-	(1,245)
(5,099)	-	(5,099)
(3,440)	-	(3,440)
<u>(35,586)</u>	<u>-</u>	<u>(35,586)</u>
-	1,204	1,204
-	1,605	1,605
-	1,017	1,017
-	(50)	(50)
-	113	113
-	(186)	(186)
-	169	169
-	124	124
-	<u>3,996</u>	<u>3,996</u>
<u>(35,586)</u>	<u>3,996</u>	<u>(31,590)</u>
34,173	-	34,173
5,311	-	5,311
580	-	580
785	-	785
244	-	244
1,056	991	2,047
65	1,009	1,074
3,746	335	4,081
<u>(1,840)</u>	<u>1,840</u>	<u>-</u>
<u>44,120</u>	<u>4,175</u>	<u>48,295</u>
8,534	8,171	16,705
<u>87,961</u>	<u>193,824</u>	<u>281,785</u>
<u>\$ 96,495</u>	<u>\$ 201,995</u>	<u>\$ 298,490</u>

**CITY OF IOWA CITY, IOWA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2004  
(amounts expressed in thousands)

	<u>General</u>	<u>Special Revenue Employee Benefits</u>	<u>Capital Projects Other Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets</b>						
Equity in pooled cash and investments	\$ 15,382	\$ 1,573	\$ 444	\$ 6,852	\$ 9,274	\$ 33,525
Receivables:						
Property tax	19,521	7,442	-	8,075	-	35,038
Accounts and unbilled usage	158	-	-	-	55	213
Interest	136	4	3	18	54	215
Notes	258	-	-	-	8,242	8,500
Advances to other funds	113	-	-	-	-	113
Due from other governments	1,527	183	1,498	-	1,534	4,742
Inventories	131	-	-	-	-	131
Restricted assets:						
Equity in pooled cash and investments	<u>1,049</u>	<u>-</u>	<u>7,343</u>	<u>-</u>	<u>-</u>	<u>8,392</u>
 Total assets	 <u>\$ 38,275</u>	 <u>\$ 9,202</u>	 <u>\$ 9,288</u>	 <u>\$ 14,945</u>	 <u>\$ 19,159</u>	 <u>\$ 90,869</u>

(continued)

# CITY OF IOWA CITY, IOWA

## BALANCE SHEET (continued) GOVERNMENTAL FUNDS

June 30, 2004  
(amounts expressed in thousands)

	General	Special Revenue Employee Benefits	Capital Projects Other Construction	Debt Service	Other Governmental Funds	Total
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 622	\$ 74	\$ 985	\$ -	\$ 258	\$ 1,939
Contracts payable	-	-	2,745	-	858	3,603
Accrued liabilities	874	1	8	-	31	914
Advances from other funds	491	-	42	-	48	581
Deferred revenue	20,804	7,583	761	8,015	9,317	46,480
Liabilities payable from restricted assets:						
Deposits	787	-	-	-	-	787
Total liabilities	<u>23,578</u>	<u>7,658</u>	<u>4,541</u>	<u>8,015</u>	<u>10,512</u>	<u>54,304</u>
Fund balances:						
Reserved for:						
Inventories	131	-	-	-	-	131
Encumbrances	61	-	133	-	-	194
Debt service	-	-	-	6,930	-	6,930
Long-term receivables	113	-	-	-	-	113
Employee retirement commitments	-	1,544	-	-	-	1,544
Perpetual care	91	-	-	-	-	91
Unreserved						
Designated:						
For future improvements	-	-	4,614	-	-	4,614
Undesignated:						
General fund	14,301	-	-	-	-	14,301
Special revenue funds	-	-	-	-	9,379	9,379
Capital projects funds	-	-	-	-	(732)	(732)
Total fund balances	<u>14,697</u>	<u>1,544</u>	<u>4,747</u>	<u>6,930</u>	<u>8,647</u>	<u>36,565</u>
Total liabilities and fund balances	<u>\$ 38,275</u>	<u>\$ 9,202</u>	<u>\$ 9,288</u>	<u>\$ 14,945</u>	<u>\$ 19,159</u>	<u>\$ 90,869</u>

*The notes to the financial statements are an integral part of this statement.*



**CITY OF IOWA CITY, IOWA**

**RECONCILIATION OF THE BALANCE SHEET OF THE  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

June 30, 2004

(amounts expressed in thousands)

Total governmental fund balances	\$ 36,565
Amounts reported for governmental activities in the statement of net assets are different because:	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	14,629
Prepaid insurance benefits future periods and is included in governmental activities in the statement of net assets.	5
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: Notes receivable - Earned but unavailable	6,243
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	126,149
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(1,627)
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(79,403)
Accrued interest on bonds	(388)
Internal balance due to integration of internal service funds	<u>(5,678)</u>
Total net assets of governmental activities	<u>\$ 96,495</u>

*The notes to the financial statements are an integral part of this statement.*

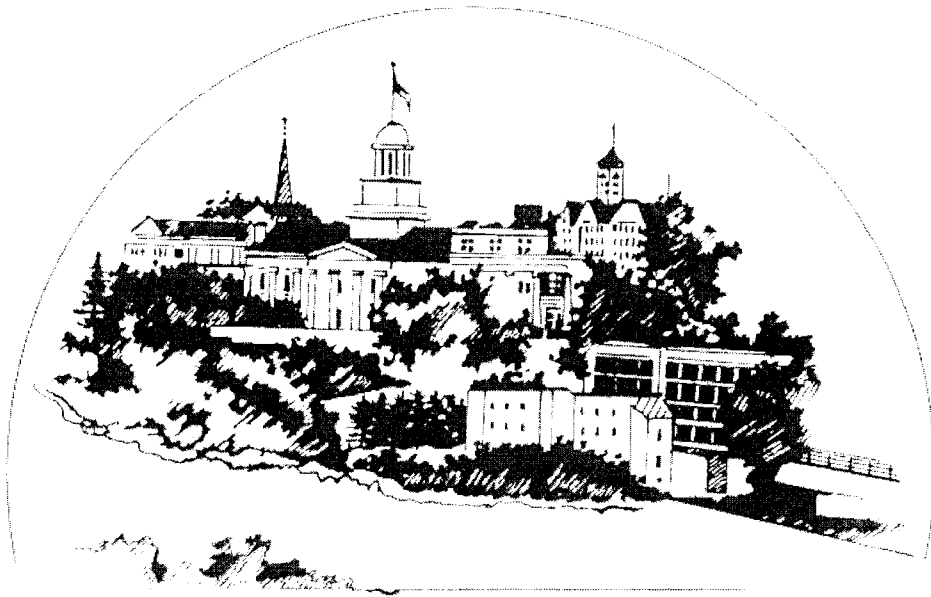
**CITY OF IOWA CITY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	General	Special Revenue Employee Benefits	Capital Projects Other Construction	Debt Service	Other Governmental Funds	Total
<b>Revenues</b>						
Taxes	\$ 19,458	\$ 6,832	\$ -	\$ 9,078	\$ 170	\$ 35,538
Licenses and permits	1,361	-	-	-	-	1,361
Intergovernmental	1,884	-	2,527	-	7,647	12,058
Charges for services	3,079	135	-	-	26	3,240
Use of money and property	569	14	196	142	81	1,002
Miscellaneous	3,420	1	19	561	376	4,377
Total revenues	<u>29,771</u>	<u>6,982</u>	<u>2,742</u>	<u>9,781</u>	<u>8,300</u>	<u>57,576</u>
<b>Expenditures</b>						
Current:						
Public safety	13,660	342	23	-	-	14,025
Public works	8,328	-	12	-	816	9,156
Culture and recreation	8,898	-	494	-	-	9,392
Community and economic development	797	-	38	-	2,651	3,486
General government	5,453	80	543	4	-	6,080
Debt service:						
Principal	-	-	-	5,172	-	5,172
Interest	-	-	-	3,336	-	3,336
Capital outlay	1,480	-	10,922	-	3,663	16,065
Total expenditures	<u>38,616</u>	<u>422</u>	<u>12,032</u>	<u>8,512</u>	<u>7,130</u>	<u>66,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,845)</u>	<u>6,560</u>	<u>(9,290)</u>	<u>1,269</u>	<u>1,170</u>	<u>(9,136)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from bond issuance	-	-	5,570	1,222	6,083	12,875
Proceeds from sale of capital assets	134	-	-	-	250	384
Premium (discount) on issuance of bonds	-	-	39	(9)	(49)	(19)
Transfers in	10,498	-	577	-	3,539	14,614
Transfers out	(417)	(7,103)	(4,171)	-	(5,042)	(16,733)
Total other financing sources and (uses)	<u>10,215</u>	<u>(7,103)</u>	<u>2,015</u>	<u>1,213</u>	<u>4,781</u>	<u>11,121</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>1,370</u>	<u>(543)</u>	<u>(7,275)</u>	<u>2,482</u>	<u>5,951</u>	<u>1,985</u>
<b>Fund Balances, Beginning (as restated)</b>	<u>13,327</u>	<u>2,087</u>	<u>12,022</u>	<u>4,448</u>	<u>2,696</u>	<u>34,580</u>
<b>Fund Balances, Ending</b>	<u>\$ 14,697</u>	<u>\$ 1,544</u>	<u>\$ 4,747</u>	<u>\$ 6,930</u>	<u>\$ 8,647</u>	<u>\$ 36,565</u>

*The notes to the financial statements are an integral part of this statement.*



**CITY OF IOWA CITY, IOWA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

Net change in fund balances - total governmental funds	\$	1,985
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset. Capital outlays and contributed capital assets exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	\$	14,572
Capital assets contributed		2,702
Depreciation expense		<u>(4,797)</u>
		12,477
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Debt issued		(12,875)
Discount on bonds issued		19
Repayments of debt		5,172
Amortization of premium		<u>7</u>
		(7,677)
Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds.		1,941
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in accrued compensated absences		(75)
Change in accrued interest on debt		(111)
In the statement of activities, only the gain on the sale of the capital assets is recognized, whereas in the governmental funds, the proceeds from the sale increased financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset sold.		(319)
Prepaid items in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenses in the period that the corresponding net asset is exhausted.		(17)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		<u>330</u>
Change in net assets of governmental activities	\$	<u>8,534</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF IOWA CITY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
(BUDGETARY BASIS)**

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 18,489	\$ 18,489	\$ 18,473	\$ (16)
Other City taxes:				
Utility tax replacement excise	435	435	427	(8)
Hotel/motel taxes	550	550	563	13
Licenses and permits	966	1,043	1,352	309
Intergovernmental	3,588	2,833	2,836	3
Charges for services	3,134	3,271	3,425	154
Use of money and property	436	450	323	(127)
Miscellaneous	1,645	2,947	2,039	(908)
Total revenues	<u>29,243</u>	<u>30,018</u>	<u>29,438</u>	<u>(580)</u>
<b>Expenditures</b>				
Current:				
Public safety:				
Police department/crime prevention	8,147	8,041	7,689	352
Fire department	4,863	4,850	4,667	183
Building inspections	1,120	1,116	1,077	39
Animal control	553	564	551	13
Total public safety	<u>14,683</u>	<u>14,571</u>	<u>13,984</u>	<u>587</u>
Public works:				
Roads, bridges, and sidewalks	2,226	2,293	1,900	393
Street lighting	365	365	355	10
Traffic control and safety	675	677	632	45
Snow removal	131	131	378	(247)
Highway engineering	1,067	1,043	846	197
Street cleaning	43	43	215	(172)
Other public works	<u>3,928</u>	<u>4,461</u>	<u>4,069</u>	<u>392</u>
Total public works	<u>8,435</u>	<u>9,013</u>	<u>8,395</u>	<u>618</u>
Culture and recreation:				
Library services	4,112	4,017	3,999	18
Parks	1,590	1,562	1,485	77
Recreation	2,563	2,851	2,381	470
Cemetery	331	353	294	59
Other culture and recreation	<u>583</u>	<u>682</u>	<u>769</u>	<u>(87)</u>
Total culture and recreation	<u>9,179</u>	<u>9,465</u>	<u>8,928</u>	<u>537</u>

(continued)

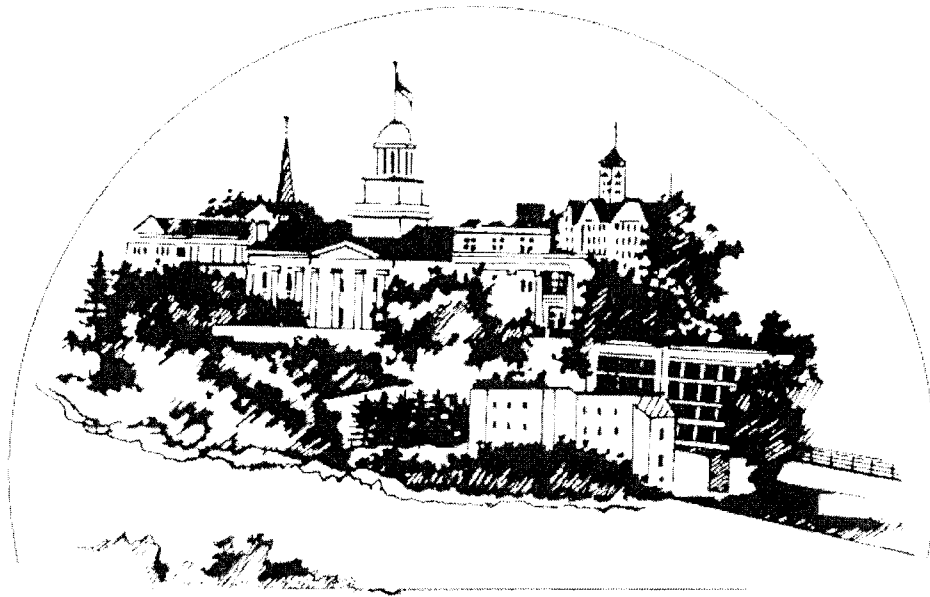
**CITY OF IOWA CITY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL (continued)  
GENERAL FUND  
(BUDGETARY BASIS)**

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Community and economic development:				
Community beautification	\$ 712	\$ 484	\$ 410	\$ 74
Economic development	185	590	153	437
Housing and urban renewal	-	27	63	(36)
Planning and zoning	721	697	641	56
Total community and economic development	<u>1,618</u>	<u>1,798</u>	<u>1,267</u>	<u>531</u>
General government:				
Mayor, council, and City Manager	625	617	593	24
Clerk, treasurer, and finance admin.	2,753	2,737	2,552	185
Legal services and City attorney	557	558	558	-
City hall and general buildings	421	434	415	19
Tort liability	582	712	590	122
Other general government	1,423	1,723	1,341	382
Total general government	<u>6,361</u>	<u>6,781</u>	<u>6,049</u>	<u>732</u>
Total expenditures	<u>40,276</u>	<u>41,628</u>	<u>38,623</u>	<u>3,005</u>
Deficiency of revenues under expenditures	<u>(11,033)</u>	<u>(11,610)</u>	<u>(9,185)</u>	<u>2,425</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	11,096	11,703	10,678	(1,025)
Proceeds of capital asset sales	371	376	178	(198)
Transfers out	<u>(884)</u>	<u>(1,082)</u>	<u>(1,640)</u>	<u>(558)</u>
Total other financing sources and (uses)	<u>10,583</u>	<u>10,997</u>	<u>9,216</u>	<u>(1,781)</u>
Net change in fund balances	<u>(450)</u>	<u>(613)</u>	<u>31</u>	<u>644</u>
<b>Fund Balances, Beginning</b>	13,593	15,057	15,669	612
<b>Fund Balances, Ending</b>	<u>\$ 13,143</u>	<u>\$ 14,444</u>	<u>\$ 15,700</u>	<u>\$ 1,256</u>

*The notes to the financial statements are an integral part of this statement.*



**CITY OF IOWA CITY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
EMPLOYEE BENEFITS FUND  
(BUDGETARY BASIS)**

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 5,922	\$ 6,691	\$ 6,675	\$ (16)
Other City taxes:				
Utility tax replacement excise	140	158	154	(4)
Intergovernmental	147	119	135	16
Use of money and property	15	337	19	(318)
Miscellaneous	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total revenues	<u>6,224</u>	<u>7,305</u>	<u>6,984</u>	<u>(321)</u>
<b>Expenditures</b>				
Current:				
Other public safety	126	485	273	212
Other general government	<u>211</u>	<u>321</u>	<u>80</u>	<u>241</u>
Total expenditures	<u>337</u>	<u>806</u>	<u>353</u>	<u>453</u>
 Excess of revenues over expenditures	<u>5,887</u>	<u>6,499</u>	<u>6,631</u>	<u>(132)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	585	585	585	-
Transfers out	<u>(6,588)</u>	<u>(7,674)</u>	<u>(7,688)</u>	<u>(14)</u>
Total other financing sources and (uses)	<u>(6,003)</u>	<u>(7,089)</u>	<u>(7,103)</u>	<u>(14)</u>
 Net change in fund balances	(116)	(590)	(472)	118
<b>Fund Balances, Beginning</b>	<u>1,907</u>	<u>2,068</u>	<u>2,068</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u><u>\$ 1,791</u></u>	<u><u>\$ 1,478</u></u>	<u><u>\$ 1,596</u></u>	<u><u>\$ 118</u></u>

*The notes to the financial statements are an integral part of this statement.*



**CITY OF IOWA CITY, IOWA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

June 30, 2004  
(amounts expressed in thousands)

	<u>Business-type Activities - Enterprise Funds</u>						Governmental Activities -
	<u>Wastewater Treatment</u>	<u>Water</u>	<u>Sanitation</u>	<u>Housing Authority</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>Assets</b>							
Current assets:							
Equity in pooled cash and investments	\$ 4,983	\$ 12,106	\$ 10,366	\$ 1,362	\$ 1,929	\$ 30,746	\$ 9,853
Receivables:							
Accounts and unbilled usage	1,534	1,013	620	1	233	3,401	54
Interest	63	68	65	15	10	221	42
Notes	-	-	-	923	444	1,367	-
Advances to other funds	-	-	1,517	-	-	1,517	-
Due from other governments	-	14	1	17	115	147	44
Inventories	-	323	-	-	-	323	210
Total current assets	<u>6,580</u>	<u>13,524</u>	<u>12,569</u>	<u>2,318</u>	<u>2,731</u>	<u>37,722</u>	<u>10,203</u>
Noncurrent assets:							
Restricted assets:							
Equity in pooled cash and investments	14,011	7,383	11,371	1,962	2,036	36,763	1
Capital assets:							
Land	695	6,235	325	928	14,043	22,226	45
Buildings and structures	59,475	23,321	869	6,289	29,132	119,086	832
Improvements other than buildings	7,284	2,631	78	-	415	10,408	50
Equipment and vehicles	9,919	10,194	153	63	588	20,917	11,232
Infrastructure	80,201	36,048	9,268	-	28,765	154,282	940
Accumulated depreciation	(37,888)	(8,954)	(5,662)	(2,955)	(15,609)	(71,068)	(6,660)
Construction in progress	<u>1,358</u>	<u>1,837</u>	<u>20</u>	<u>-</u>	<u>1,049</u>	<u>4,264</u>	<u>-</u>
Total noncurrent assets	<u>135,055</u>	<u>78,695</u>	<u>16,422</u>	<u>6,287</u>	<u>60,419</u>	<u>296,878</u>	<u>6,440</u>
Total assets	<u>141,635</u>	<u>92,219</u>	<u>28,991</u>	<u>8,605</u>	<u>63,150</u>	<u>334,600</u>	<u>16,643</u>

(continued)

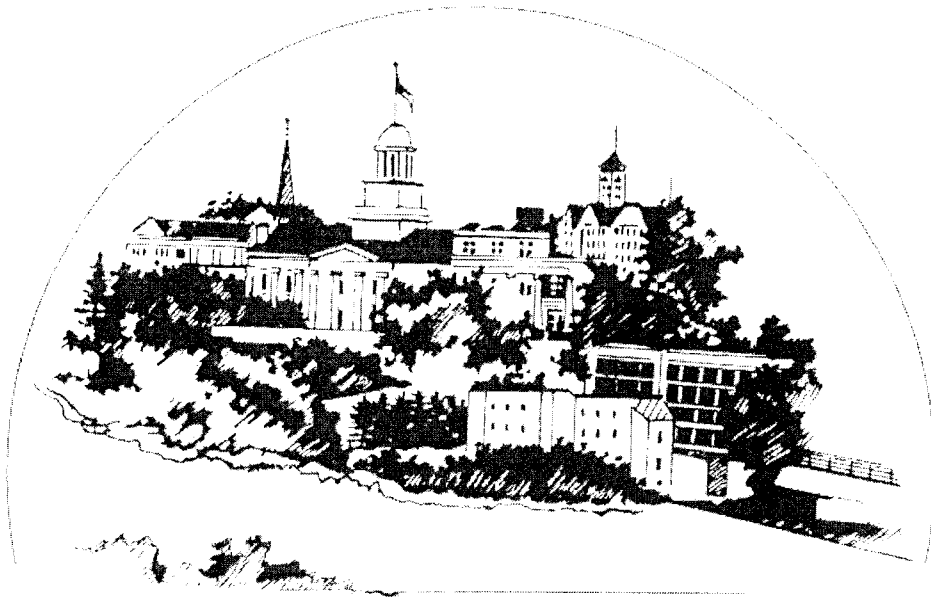
**CITY OF IOWA CITY, IOWA**

**STATEMENT OF NET ASSETS (continued)  
PROPRIETARY FUNDS**

June 30, 2004  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	\$ 79	\$ 237	\$ 58	\$ 18	\$ 24	\$ 416	\$ 406
Contracts payable	110	283	25	-	89	507	-
Accrued liabilities	121	147	142	42	167	619	1,608
Advances from other funds	-	-	-	-	1,049	1,049	-
Due to other governments	1	21	62	20	-	104	-
Bonded debt payable (net of unamortized discounts)	<u>3,745</u>	<u>1,732</u>	<u>-</u>	<u>-</u>	<u>590</u>	<u>6,067</u>	<u>-</u>
Total current liabilities	<u>4,056</u>	<u>2,420</u>	<u>287</u>	<u>80</u>	<u>1,919</u>	<u>8,762</u>	<u>2,014</u>
Noncurrent liabilities:							
Liabilities payable from restricted assets:							
Interest payable	1,805	707	-	-	338	2,850	-
Deposits	-	379	-	293	4	676	-
Bonded debt payable (net of unamortized discounts)	71,969	34,587	-	-	11,564	118,120	-
Landfill closure/postclosure liability	<u>-</u>	<u>-</u>	<u>7,875</u>	<u>-</u>	<u>-</u>	<u>7,875</u>	<u>-</u>
Total noncurrent liabilities	<u>73,774</u>	<u>35,673</u>	<u>7,875</u>	<u>293</u>	<u>11,906</u>	<u>129,521</u>	<u>-</u>
Total liabilities	<u>77,830</u>	<u>38,093</u>	<u>8,162</u>	<u>373</u>	<u>13,825</u>	<u>138,283</u>	<u>2,014</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	53,187	40,839	5,051	4,325	47,415	150,817	6,439
Restricted by bond ordinance	8,578	2,685	-	-	1,277	12,540	-
Restricted by state statute	-	-	315	-	-	315	-
Restricted for future improvements	-	-	-	-	115	115	-
Restricted by grant agreement	-	-	-	1,962	-	1,962	-
Unrestricted	<u>2,040</u>	<u>10,602</u>	<u>15,463</u>	<u>1,945</u>	<u>518</u>	<u>30,568</u>	<u>8,190</u>
Total net assets	<u>\$ 63,805</u>	<u>\$ 54,126</u>	<u>\$ 20,829</u>	<u>\$ 8,232</u>	<u>\$ 49,325</u>	196,317	<u>\$ 14,629</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						<u>5,678</u>	
Net assets of business-type activities						<u>\$ 201,995</u>	

*The notes to the financial statements are an integral part of this statement.*



# CITY OF IOWA CITY, IOWA

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	
<b>Operating Revenues:</b>							
Charges for services	\$ 12,580	\$ 9,164	\$ 7,111	\$ 219	\$ 5,001	\$ 34,075	\$ 10,899
Miscellaneous	51	126	17	48	93	335	4
Total operating revenues	<u>12,631</u>	<u>9,290</u>	<u>7,128</u>	<u>267</u>	<u>5,094</u>	<u>34,410</u>	<u>10,903</u>
<b>Operating Expenses:</b>							
Personal services	1,618	1,834	1,743	705	1,980	7,880	1,319
Commodities	530	815	227	40	237	1,849	1,100
Services and charges	<u>2,375</u>	<u>1,711</u>	<u>3,183</u>	<u>6,245</u>	<u>1,059</u>	<u>14,573</u>	<u>7,237</u>
Depreciation	4,523	4,360	5,153	6,990	3,276	24,302	9,656
	<u>4,134</u>	<u>1,888</u>	<u>947</u>	<u>230</u>	<u>1,629</u>	<u>8,828</u>	<u>1,302</u>
Total operating expenses	<u>8,657</u>	<u>6,248</u>	<u>6,100</u>	<u>7,220</u>	<u>4,905</u>	<u>33,130</u>	<u>10,958</u>
Operating income (loss)	<u>3,974</u>	<u>3,042</u>	<u>1,028</u>	<u>(6,953)</u>	<u>189</u>	<u>1,280</u>	<u>(55)</u>
<b>Nonoperating Revenues (Expenses):</b>							
Gain on disposal of equipment	-	927	-	82	-	1,009	28
Operating grants	-	-	9	6,950	-	6,959	-
Interest income	316	410	134	63	68	991	67
Interest expense	<u>(3,684)</u>	<u>(1,759)</u>	<u>-</u>	<u>-</u>	<u>(707)</u>	<u>(6,150)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(3,368)</u>	<u>(422)</u>	<u>143</u>	<u>7,095</u>	<u>(639)</u>	<u>2,809</u>	<u>95</u>
Income (loss) before capital contributions and transfers	606	2,620	1,171	142	(450)	4,089	40
Capital contributions	968	452	-	-	833	2,253	-
Transfers in	86	1,094	-	-	1,624	2,804	540
Transfers out	<u>(6)</u>	<u>(232)</u>	<u>(250)</u>	<u>(8)</u>	<u>(729)</u>	<u>(1,225)</u>	<u>-</u>
Change in net assets	1,654	3,934	921	134	1,278	7,921	580
<b>Net Assets, Beginning (as restated)</b>	<u>62,151</u>	<u>50,192</u>	<u>19,908</u>	<u>8,098</u>	<u>48,047</u>		<u>14,049</u>
<b>Net Assets, Ending</b>	<u>\$ 63,805</u>	<u>\$ 54,126</u>	<u>\$ 20,829</u>	<u>\$ 8,232</u>	<u>\$ 49,325</u>		<u>\$ 14,629</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						250	
Change in net assets of business-type activities						<u>\$ 8,171</u>	

*The notes to the financial statements are an integral part of this statement.*

# CITY OF IOWA CITY, IOWA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental Activities -
	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	Internal Service Funds
<b>Cash Flows From Operating Activities</b>							
Receipts from customers and users	\$ 12,958	\$ 9,431	\$ 7,024	\$ 582	\$ 4,949	\$ 34,944	\$ 10,988
Payments to suppliers	(2,892)	(2,391)	(3,364)	(6,361)	(1,972)	(16,980)	(8,291)
Payments to employees	(1,606)	(1,831)	(1,723)	(705)	(1,961)	(7,826)	(1,167)
Net cash flows from operating activities	<u>8,460</u>	<u>5,209</u>	<u>1,937</u>	<u>(6,484)</u>	<u>1,016</u>	<u>10,138</u>	<u>1,530</u>
<b>Cash Flows From Noncapital Financing Activities</b>							
Operating grants received	-	-	9	6,950	-	6,959	-
Operating transfers from other funds	86	1,094	-	-	1,624	2,804	540
Operating transfers to other funds	(6)	(232)	(250)	(8)	(397)	(893)	-
Repayment of notes receivable	-	-	-	25	-	25	-
Repayment of advances from other funds	-	(117)	-	-	-	(117)	-
Repayment of advances to other funds	257	-	388	-	-	645	-
Net cash flows from noncapital financing activities	<u>337</u>	<u>745</u>	<u>147</u>	<u>6,967</u>	<u>1,227</u>	<u>9,423</u>	<u>540</u>
<b>Cash Flows From Capital and Related Financing Activities</b>							
Capital grants received	-	-	-	-	116	116	-
Repayment of advances from other funds	-	-	-	-	(122)	(122)	-
Acquisition and construction of property and equipment	(1,467)	(2,053)	(45)	(6)	(1,249)	(4,820)	(1,252)
Proceeds from sale of property	-	1,164	-	232	-	1,396	152
Principal paid on bonded debt	(3,628)	(1,943)	-	-	(671)	(6,242)	-
Interest paid on bonded debt	(3,749)	(1,821)	-	-	(722)	(6,292)	-
Net cash flows from capital and related financing activities	<u>(8,844)</u>	<u>(4,653)</u>	<u>(45)</u>	<u>226</u>	<u>(2,648)</u>	<u>(15,964)</u>	<u>(1,100)</u>
<b>Cash Flows From Investing Activities</b>							
Interest on investments	<u>329</u>	<u>405</u>	<u>137</u>	<u>48</u>	<u>67</u>	<u>986</u>	<u>62</u>
Net increase (decrease) in cash and cash equivalents	282	1,706	2,176	757	(338)	4,583	1,032
<b>Cash and Cash Equivalents, Beginning</b>	<u>18,712</u>	<u>17,783</u>	<u>19,561</u>	<u>2,567</u>	<u>4,303</u>	<u>62,926</u>	<u>8,822</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 18,994</u>	<u>\$ 19,489</u>	<u>\$ 21,737</u>	<u>\$ 3,324</u>	<u>\$ 3,965</u>	<u>\$ 67,509</u>	<u>\$ 9,854</u>

**CITY OF IOWA CITY, IOWA**

**STATEMENT OF CASH FLOWS (continued)  
PROPRIETARY FUNDS**

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental
	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	Activities - Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>							
Operating income (loss)	\$ 3,974	\$ 3,042	\$ 1,028	\$ (6,953)	\$ 189	\$ 1,280	\$ (55)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:							
Depreciation expense	4,134	1,888	947	230	1,629	8,828	1,302
Changes in:							
Receivables:							
Accounts and unbilled usage	327	125	(103)	(1)	(70)	278	(32)
Due from other governments	-	(6)	(1)	305	(79)	219	118
Inventories	-	1	-	-	-	1	(1)
Accounts payable	12	145	44	(11)	(676)	(486)	46
Accrued liabilities	12	3	20	-	19	54	152
Due to other governments	1	(11)	2	(65)	-	(73)	-
Deposits	-	22	-	11	4	37	-
Total adjustments	4,486	2,167	909	469	827	8,858	1,585
Net cash flows from operating activities	<u>\$ 8,460</u>	<u>\$ 5,209</u>	<u>\$ 1,937</u>	<u>\$ (6,484)</u>	<u>\$ 1,016</u>	<u>\$ 10,138</u>	<u>\$ 1,530</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>							
Contributions of fixed assets from government and others	\$ 968	\$ 438	\$ -	\$ -	\$ 717	\$ 2,123	\$ -

*The notes to the financial statements are an integral part of this statement.*

**CITY OF IOWA CITY, IOWA**

**STATEMENT OF FIDUCIARY  
ASSETS AND LIABILITIES**

June 30, 2004  
(amounts expressed in thousands)

	<u>Agency Funds</u>
<b>Assets</b>	
Equity in pooled cash and investments	\$ 396
Accounts receivable	19
Interest receivable	<u>1</u>
Total assets	<u>\$ 416</u>
<b>Liabilities</b>	
Accounts payable	\$ 84
Accrued liabilities	4
Due to agency	<u>328</u>
Total liabilities	<u>\$ 416</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF IOWA CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

**1. Accounting Policies**

The City of Iowa City, Iowa, (the City) was incorporated April 6, 1853, and operates under the Council/Manager form of government. The City provides a broad range of services to its citizens including general government, a mass transportation system, public safety, streets, parks, and cultural facilities. It also operates an airport, parking facilities, water treatment, wastewater treatment, stormwater collection, sanitation collection and disposal (including landfill operations), cable television, and a housing authority.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

**The Reporting Entity**

For financial reporting purposes, the City includes all of its funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. There were no component units required to be included.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.



## **CITY OF IOWA CITY, IOWA**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2004

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Description of Funds**

These financial statements include all funds owned or administered by the City, for which the City acts as custodian.

The City maintains its records on a modified cash basis of accounting under which only cash receipts, cash disbursements and encumbrances, investments, and bonded debt are recorded. These modified cash basis accounting records have been adjusted to the accrual or modified accrual basis, as necessary, to prepare the accompanying financial statements in accordance with GAAP.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The fund categories are governmental, proprietary, and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures or expenses, as appropriate. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

#### **Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its "measurement focus." The government-wide financial statements, proprietary funds, and fiduciary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, except those that conflict with GASB pronouncements, in accounting and reporting for these funds.

All governmental funds are accounted for using a current financial resources measurement focus, which generally includes only current assets and current liabilities on the balance sheet. The modified accrual basis of accounting is used for these funds. Under the modified accrual basis, revenue is recognized when susceptible to accrual, which is in the period in which it becomes both available (collectible within the current period or soon thereafter to be used to pay liabilities of the current period) and measurable (the amount of the transaction can be determined). Revenue accrued includes property taxes, intergovernmental revenue, and interest earned on investments (if they are collected within 60 days after the year-end). Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

## CITY OF IOWA CITY, IOWA

### NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

The *Employee Benefits Fund* is used to account for the employee benefits related to those employees who are paid through governmental fund types, which are funded by a separate property tax levy.

The *Capital Projects Other Construction Fund* accounts for the construction or replacement of certain City general capital assets, such as administrative buildings, with various funding sources including general obligation bonds, intergovernmental revenues and contributions.

The *Debt Service Fund* accounts for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.

The City reports the following major proprietary funds:

The *Wastewater Treatment Fund* is used to account for the operation and maintenance of the wastewater treatment facility and sanitary sewer system.

The *Water Fund* is used to account for the operation and maintenance of the water system.

The *Sanitation Fund* is used to account for the operation and maintenance of the solid waste collection system and landfill.

The *Housing Authority Fund* is used to account for the operations and activities of the City's low and moderate income housing assistance and public housing programs.

Additionally, the City reports internal service funds to account for goods and services provided by one department to other City departments on a cost reimbursement basis. The funds in this category are the Equipment Maintenance Fund, Central Services Fund, Loss Reserve Fund, and the Information Technology Fund.

The City also reports fiduciary funds which are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has four fiduciary funds which are maintained as agency funds, with no attempt to create an ongoing fund balance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

## **CITY OF IOWA CITY, IOWA**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2004

#### **Uses of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenditures and expenses, as appropriate, during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of landfill closure and postclosure care costs, total capacity of the landfill at closure, and calculation of the costs of claims incurred, but not reported.

#### **Cash and Investments**

The City maintains one primary demand deposit account through which the majority of its cash resources are processed. Substantially all investment activity is carried on by the City in an investment pool, except for those funds required to maintain their investments separately. The earnings on the pooled investments are allocated to the funds on a systematic basis. All investments are stated at fair value.

For the purpose of the Statement of Cash Flows, restricted and nonrestricted investments with a maturity of three months or less when purchased are considered cash equivalents.

#### **Receivables and Revenue Recognition**

Property tax receivable is recognized in governmental funds on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year delinquent property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Federal and state grants, primarily capital grants, are recorded as receivables and the revenue is recognized during the period in which the City fulfills the requirements for receiving the grant awards, as long as the susceptible to accrual criteria are met.

Income from investments in all fund types and from charges for services in proprietary fund types is recognized when earned. Licenses and permits, fines and forfeitures, fees and refunds, charges for services (in governmental fund types), miscellaneous and other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

#### **Inventories**

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. For the City, these are the General Fund, Water Fund, and the Equipment Maintenance Fund. Inventories are reported at the lower of cost (first-in, first-out) or market. The costs of governmental fund type inventories are recorded as expenditures when purchased.

## **CITY OF IOWA CITY, IOWA**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2004

#### **Capital Assets**

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City follows the policy of not capitalizing an asset with an initial, individual cost of less than \$50,000 for infrastructure assets and \$5,000 for remaining assets. Such assets are recorded at original purchase cost or at fair value at the date of donation when received as donated properties.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Infrastructure	3 – 100 years
Buildings and structures	20 – 50 years
Improvements other than buildings	15 – 50 years
Vehicles	2 – 20 years
Other equipment	5 – 30 years

#### **Bond Premiums and Discounts**

Debt issued at a premium or discount is recorded net of the unamortized premium discount. In the governmental funds, premiums and discounts are recorded entirely as other financing sources or uses in the year of issuance. In the proprietary funds and the government-wide statements, they are amortized over the life of the bonds.

#### **Compensated Absences**

Permanent City employees accumulate vacation and sick leave hours for subsequent use or for payment upon death, resignation, or retirement. The City pays its employees (except firefighters) one-half of the accumulated sick leave at the time of termination on the basis of the employee's then effective hourly base salary, provided that the dollar amount of the payment may be up to, but not exceed, the amount that an employee would be paid if the employee had terminated on June 28, 1985. Employees hired on or after June 29, 1985, are not eligible for payment of accumulated sick leave upon termination, death, or retirement.

#### **Pensions**

The provision for pension cost is recorded on the accrual basis (based on statutorily determined contribution rates), and the City's policy is to fund pension costs as they accrue.

#### **Landfill Closing Costs**

Costs expected to be incurred in ultimately closing the present landfill site are being systematically provided for through charges to expense over the estimated useful life of the landfill on the basis of capacity used (see Note 13).

## **CITY OF IOWA CITY, IOWA**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2004

#### **Budgetary and Legal Appropriation and Amendment Policies**

The City prepares and adopts an annual function budget, as prescribed by Iowa statutes, for all funds except internal service and agency funds. This is formalized in a separate budgetary report, the Financial Plan. This budget is adopted on or before March 15 of each year to become effective July 1, and constitutes the City's appropriation for each program and purpose specified therein until amended. The adopted budget must include the following:

- a. Expenditures for each function:
  - Public safety
  - Public works
  - Health and social services
  - Culture and recreation
  - Community and economic development
  - General government
  - Debt service
  - Capital outlay
  - Business-type
- b. The amount to be raised by property taxation
- c. Income from sources other than property taxation
- d. Transfers in and transfers out

The legal level of control (the level at which expenditures may not legally exceed appropriations) is the function level for all funds combined, rather than at the individual fund level. Management can transfer appropriations within a function, within a fund type, and between fund types, without the approval of the governing body so long as the total budget by function area will not be exceeded. It is necessary, therefore, to aggregate the expenditures of the budgeted activities within the governmental fund types with the expenditures of the budgeted activities within the enterprise funds on a function basis, and to compare such function totals to function budgeted totals in order to demonstrate legal compliance with the budget. The City's budget for revenue focuses on the individual fund revenue rather than on aggregated fund totals.

The City formally adopts budgets for several funds that are not required by state law to be included in the annual function budget. Annual operating budgets are adopted for the internal service funds for management control purposes. Such budgets, however, are not legally required to be adopted under state statutes. These budgets are adopted and amended at the same time and in the same manner as the City's annual function budget.

A City budget for the current fiscal year may be amended for any of the following purposes as prescribed by Iowa statute:

- a. To permit the appropriation and expenditure of unexpended, unencumbered cash balances on hand at the end of the preceding fiscal year.
- b. To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation.
- c. To permit transfers between funds.
- d. To permit transfers between programs.

# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

A budget amendment must be prepared and adopted in the same manner as the original budget. The City's budget was amended as prescribed, and the effects of those amendments are shown in the accompanying financial statements. The original budget was increased by \$53 million due to carryover appropriations from the prior fiscal year and new appropriations for construction projects. Appropriations as adopted or amended, and not encumbered, lapse at the end of the fiscal year.

Statements of budget and actual revenue and expenditures have been presented for the general fund and the major special revenue fund and disclosures are presented that compare budget and actual expenditures on the legal function budget basis for the City as a whole. The statements reflect the City's method of budget preparation, which records revenue and expenditures on a cash basis.

### Restricted Assets

Assets within the individual funds, which can be designated by the City Council for any use within the fund's purpose, are considered to be unrestricted assets. Assets, which are restricted for specific uses by bonded debt requirements, grant provisions, or other requirements, are classified as restricted assets. Liabilities which are payable from restricted assets, are classified as such.

## 2. Compliance and Accountability

At June 30, 2004, the Capital Project Fund for bridge, street, and traffic control construction reported a deficit fund balance of \$732,477.

### Comparison of Actual Disbursements with Budget (Budgetary Basis)

Under Iowa law, cities are required to account for disbursements in terms of City government functions. The nine City government functions are Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Outlay, and Business-type. The following table for the entire City, which includes the general, special revenue, debt service, capital projects, and enterprise funds, has been prepared to demonstrate legal compliance with that requirement (amounts expressed in thousands):

<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety	\$ 15,377	\$ 14,258	\$ 1,119
Public Works	9,021	8,406	615
Culture and Recreation	9,592	8,929	663
Community and Economic Development	8,844	4,560	4,284

# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

<u>Function</u>	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
General Government	\$ 7,098	\$ 6,128	\$ 970
Debt Service	11,125	10,705	420
Capital Outlay	31,895	13,735	18,160
Business-type	<u>48,058</u>	<u>39,703</u>	<u>8,355</u>
 Total	 <u>\$ 141,010</u>	 106,424	 <u>\$ 34,586</u>
Accrual adjustments		<u>(432)</u>	
 Expenditures/expenses – GAAP basis		 <u>\$ 105,992</u>	

### 3. Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is presented on the balance sheet as "Equity in pooled cash and investments."

#### Deposits

At June 30, 2004, the carrying amount of the City's deposits, including certificates of deposit, was \$111,336,598. The bank balances totaled \$112,572,159. Of the bank balances, \$1,021,347 was covered by federal depository insurance or the National Credit Union Insurance Fund, \$20,172,660 was collateralized by a letter-of-credit held by the City in the City's name and \$91,378,152 was collateralized with securities held by a multiple financial collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against public funds depositories to ensure that there will be no loss of public funds.

#### Investments

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally-insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The City classifies its investments into categories which present an indication of the level of credit risk in relation to the nature of the investment and the custodial provisions. Category 1 records securities that are insured, registered, held by the City, or held by the City's agent in the City's name. Category 2 denotes uninsured and unregistered securities that are held by a counterparty's trust department or agent in the City's name. Category 3 specifies uninsured and unregistered securities that are held by a counterparty's trust department or agent in other than the City's name.

# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

The following is a summary of the City's investments, including restricted assets, at June 30, 2004:

	Category			Fair Value
	1	2	3	
U.S. Government Securities	\$ 4,015,080	\$ -	\$ -	\$ 4,015,080
Investments not subject to categorization:				
Mutual funds				171,546
Iowa Public Agency Investment Trust				4,147,819
Total Investments				\$ 8,334,445

The aforementioned Iowa Public Agency Investment Trust (IPAIT) and mutual funds represent investments in pools managed by others. IPAIT is a common trust established under Iowa law pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to safely and effectively invest their available operating and reserve funds. IPAIT is registered under the Investment Company Act of 1940.

The IPAIT portfolios have followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception and were registered with the Securities and Exchange Commission (SEC).

### 4. Interfund Balances and Transfers

Interfund balances for the year ended June 30, 2004, consisted of the following:

	Advances from		
	General	Sanitation	Total
Advances to:			
General	\$ -	\$ 491,409	\$ 491,409
Capital projects - other	-	42,233	42,233
Nonmajor governmental	47,695	-	47,695
Nonmajor enterprise	64,888	983,711	1,048,599
Total	\$ 112,583	\$ 1,517,353	\$ 1,629,936

Interfund balances at June 30, 2004, include advances due to/from other funds. Advances to/from other funds represent amounts for construction loans and negative cash funding. \$946,705 of the \$983,711 and \$218,966 of the \$491,409 advances are not expected to be repaid within the next year. None of the \$42,233 advance is expected to be repaid within the next year.



# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

Interfund transfers for the year ended June 30, 2004, consisted of the following:

Transfer to:	Transfer From				
	General	Employee Benefits	Capital Projects - Other	Nonmajor Governmental	Wastewater Treatment
General	\$ -	\$ 7,102,703	\$ -	\$ 3,016,837	\$ -
Capital projects – other	80,612	-	-	3,742	-
Nonmajor governmental	129,701	-	1,932,941	1,389,893	-
Wastewater treatment	-	-	35,431	50,859	-
Water	-	-	1,094,266	-	-
Nonmajor enterprise	183,000	-	853,730	580,703	6,042
Internal service	23,826	-	254,986	-	-
Total transfer to	<u>\$ 417,139</u>	<u>\$ 7,102,703</u>	<u>\$ 4,171,354</u>	<u>\$ 5,042,034</u>	<u>\$ 6,042</u>

(continued)

Transfers are used to move revenues and bond proceeds from the fund that State statutes or the budget requires them to be collected into the fund that the State statutes or the budget requires them to be expended.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2004

Transfer From					
Water	Sanitation	Housing	Nonmajor Enterprise	Internal Service	Total Transfer From
\$ -	\$ -	\$ -	\$ 378,484	\$ 127	\$ 10,498,151
174,023	-	-	318,674	-	577,051
-	55,293	-	32,005	-	3,539,833
-	-	-	-	-	86,290
-	-	-	-	-	1,094,266
-	-	-	-	-	1,623,475
58,099	194,945	8,376	-	-	540,232
<u>\$ 232,122</u>	<u>\$ 250,238</u>	<u>\$ 8,376</u>	<u>\$ 729,163</u>	<u>\$ 127</u>	<u>\$ 17,959,298</u>

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2004

**5. Capital Assets**

There were several adjustments to beginning capital assets. The City started a Stormwater Fund. Various governmental capital assets were transferred into this new fund. Also it was discovered that land being used as a parking lot was incorrectly recorded in the Parking Fund rather than the general capital assets.

	Beginning July 1, 2003 as Previously Reported	Effect of Starting Stormwater Fund	Effect of Recording Parking Lot in the Proper Fund	Beginning July 1, 2003 as Restated
Governmental activities:				
Land	\$ 13,704,160	\$ (2,130,138)	\$ 212,112	\$ 11,786,134
Construction in progress	21,800,012	(1,272,359)	-	20,527,653
Infrastructure	92,485,279	(25,057,363)	-	67,427,916
Accumulated depreciation – infrastructure	14,667,029	(3,337,029)	-	11,330,000
Business-type activities:				
Land	20,309,298	2,130,138	(212,112)	22,227,324
Construction in progress	3,694,452	1,272,359	-	4,966,811
Infrastructure	124,017,216	25,057,363	-	149,074,579
Accumulated depreciation – infrastructure	28,201,208	3,337,029	-	31,538,237

Capital asset activity for the year ended June 30, 2004, was as follows:

	Beginning July 1, 2003 as Restated	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,786,134	\$ 870,120	\$ 275,532	\$ 12,380,722
Construction in progress	20,527,653	16,006,285	25,238,666	11,295,272
Total capital assets, not being depreciated	32,313,787	16,876,405	25,514,198	23,675,994
Capital assets, being depreciated:				
Buildings	27,322,672	16,907,236	-	44,229,908
Improvements other than buildings	3,269,619	466,474	-	3,736,093
Machinery and equipment	26,195,244	3,426,947	1,031,139	28,591,052
Infrastructure	67,427,916	6,426,971	-	73,854,887
Total capital assets being depreciated	124,215,451	27,227,628	1,031,139	150,411,940
Less accumulated depreciation for:				
Buildings	9,190,261	1,136,505	-	10,326,766
Improvements other than buildings	667,679	130,483	-	798,162
Machinery and equipment	15,077,681	3,151,383	863,469	17,365,595
Infrastructure	11,330,000	1,679,287	-	13,009,287
Total accumulated depreciation	36,265,621	6,097,658	863,469	41,499,810

# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

	Beginning July 1, 2003 as Restated	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2004
Total capital assets, being depreciated, net	\$ 87,949,830	\$ 21,129,970	\$ 167,670	\$108,912,130
Governmental activities capital assets, net	\$120,263,617	\$ 38,006,375	\$ 25,681,868	\$132,588,124
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 22,227,324	\$ -	\$ -	\$ 22,227,324
Construction in progress	4,966,811	3,873,447	4,577,847	4,262,411
Total capital assets, not being depreciated	27,194,135	3,873,447	4,577,847	26,489,735
Capital assets, being depreciated:				
Buildings	122,425,130	679,761	4,017,078	119,087,813
Improvements other than buildings	9,978,921	451,743	22,762	10,407,902
Machinery and equipment	21,393,973	427,346	904,736	20,916,583
Infrastructure	149,074,579	5,266,776	58,418	154,282,937
Total capital assets being depreciated	302,872,603	6,825,626	5,002,994	304,695,235
Less accumulated depreciation for:				
Buildings	\$ 28,452,500	\$ 3,356,640	\$ 3,768,188	\$ 28,040,952
Improvements other than buildings	628,628	426,146	22,762	1,032,012
Machinery and equipment	6,267,559	1,149,854	830,405	6,587,008
Infrastructure	31,538,237	3,894,408	22,669	35,409,976
Total accumulated depreciation	66,886,924	8,827,048	4,644,024	71,069,948
Total capital assets, being depreciated, net	235,985,679	(2,001,422)	358,970	233,625,287
Business-type activities capital assets, net	\$263,179,814	\$ 1,872,025	\$ 4,936,817	\$260,115,022
Depreciation expense was charged to functions as follows:				
Governmental activities:				
Public safety				\$ 527,515
Public works				2,088,224
Culture and recreation				1,833,277
Community and economic development				20,539
General government				327,195
Total depreciation expense – governmental activities				\$ 4,796,750
Business-type activities:				
Wastewater treatment				\$ 4,133,893
Water				1,887,583
Sanitation				946,610
Housing authority				229,604
Nonmajor enterprise				1,629,358
Total depreciation expense – business-type activities				\$ 8,827,048

# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

### 6. Bonded and Other Long-Term Debt

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	July 1, 2003	Issues	Retirements	June 30, 2004	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 71,641,169	\$ 12,875,000	\$ 5,171,569	\$ 79,344,600	\$ 9,349,222
Plus: Unamortized Premium (discount)	85,688	(19,474)	7,607	58,607	7,607
Total general obligation bonds	<u>71,726,857</u>	<u>12,855,526</u>	<u>5,179,176</u>	<u>79,403,207</u>	<u>9,356,829</u>
Employee vested benefits	<u>1,550,381</u>	<u>920,942</u>	<u>749,423</u>	<u>1,721,900</u>	<u>850,665</u>
	<u>\$ 73,277,238</u>	<u>\$ 13,776,468</u>	<u>\$ 5,928,599</u>	<u>\$ 81,125,107</u>	<u>\$ 10,207,494</u>
Business-type activities:					
General obligation bonds	\$ 11,358,831	\$ -	\$ 1,718,431	\$ 9,640,400	\$ 1,365,779
Less: Unamortized discounts	84,844	-	6,609	78,235	6,609
Total general obligation bonds	<u>11,273,987</u>	<u>-</u>	<u>1,711,822</u>	<u>9,562,165</u>	<u>1,359,170</u>
Revenue bonds	120,310,000	-	4,600,000	115,710,000	4,780,000
Less: Unamortized discounts	1,155,860	-	72,050	1,083,810	72,050
Total revenue bonds	<u>119,154,140</u>	<u>-</u>	<u>4,527,950</u>	<u>114,626,190</u>	<u>4,707,950</u>
Landfill closure/post-closure	7,540,200	335,679	-	7,875,879	-
Employee vested benefits	<u>464,885</u>	<u>147,753</u>	<u>225,938</u>	<u>386,700</u>	<u>189,260</u>
	<u>\$138,433,212</u>	<u>\$ 483,432</u>	<u>\$ 6,465,710</u>	<u>\$132,450,934</u>	<u>\$ 6,256,380</u>

For the governmental activities, employee vested benefits are generally liquidated by the General Fund and Community Development Block Grant Fund.

#### General Obligation Bonds

Various issues of general obligation bonds totaling \$88,985,000 are outstanding as of June 30, 2004. The bonds have interest rates ranging from 2.5% to 5.5% and mature in varying annual amounts ranging from \$275,000 to \$2,195,000 per issue, with the final maturities due in the year ending June 30, 2023. Interest and principal payments on all general obligation bonds, except tax abated portions recorded in the enterprise funds, are accounted for through the Debt Service Fund.

# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

Portions of several general obligation bond issues have been used to acquire or expand the enterprise fund facilities. In some instances, revenue generated by the enterprise funds is used to pay the general long-term debt principal and interest. The liability for those bonds that are expected to be paid by enterprise funds is included in those funds.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 9,349,222	\$ 3,676,318	\$ 1,365,779	\$ 372,426
2006	5,529,222	3,166,859	1,395,778	326,409
2007	5,525,525	2,952,953	1,429,475	284,314
2008	5,313,235	2,727,006	561,765	238,554
2009	5,448,235	2,507,834	561,765	216,001
2010-2014	26,409,412	8,969,871	3,070,586	707,384
2015-2019	16,579,749	3,590,062	1,255,252	104,210
2020-2023	5,190,000	541,079	-	-
Total	<u>\$ 79,344,600</u>	<u>\$ 28,131,982</u>	<u>\$ 9,640,400</u>	<u>\$ 2,249,298</u>

### Revenue Bonds

As of June 30, 2004, the following unmatured revenue bond issues are outstanding:

	Parking	Wastewater Treatment	Water
Original issue amount	\$ 13,850,000	\$ 83,935,000	\$ 30,700,000
Interest rates	5.9% to 7.4%	3.5% to 5.8%	2.0% to 5.6%
Annual maturities	\$ 305,000 to	\$ 270,000 to	\$ 245,000 to
	\$ 895,000	\$ 3,010,000	\$ 910,000
Amount outstanding	\$ 11,350,000	\$ 75,930,000	\$ 28,430,000

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2005	\$ 4,780,000	\$ 5,541,021
2006	5,015,000	5,340,208
2007	5,155,000	5,128,064
2008	5,415,000	4,905,893
2009	5,625,000	4,668,765
2010-2014	30,140,000	19,222,962
2015-2019	28,830,000	12,213,628
2020-2024	25,820,000	4,359,862
2025-2026	4,930,000	235,032
	<u>\$ 115,710,000</u>	<u>\$ 61,615,435</u>

# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

The revenue bond ordinances required that wastewater treatment, parking system, and water revenues be set aside into separate and special accounts as they are received. The use and the amounts to be included in the accounts are as follows:

Account	Amount
(a) Revenue Bond and Interest Sinking Reserve	Amount sufficient to pay current bond and interest maturities.
(b) Revenue Debt Service Reserve	Amount required to be deposited in the Revenue Bond and Interest Reserve until the reserve fund equals: Parking Revenue and Water Revenue bonds – maximum debt service due on the bonds in any succeeding fiscal year. Wastewater Revenue bonds – 125% of the average principal and interest payments over the life of all the Wastewater Revenue bonds.
(c) Improvement Reserve	\$20,000 per month until the reserve balance equals or exceeds \$2,000,000 for Wastewater Revenue bonds, \$5,000 per month until the reserve balance equals or exceeds \$300,000 for Parking Revenue bonds and \$450,000 for Water Revenue bonds, with no further deposits once the minimum balance is reached. If the reserve falls below the required minimum, monthly transfers in the aforementioned amounts will resume.

### Summary of Bond Issues

General obligation and revenue bonds payable at June 30, 2004, are comprised of the following issues:

	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2004
<b>General Obligation Bonds:</b>					
Multi-Purpose and Water Construction (1)	Mar. 1996	\$ 6,100,000	3.6 – 5.5	6/05	\$ 4,200,000
Multi-Purpose	Mar. 1997	5,200,000	4.5 – 4.7	6/07	1,525,000
Water Construction (1)	Nov. 1997	5,540,000	4.875 – 5.0	6/17	3,875,000
Multi-Purpose	Apr. 1998	8,500,000	4.35 – 4.75	6/13	5,050,000
Multi-Purpose	Mar. 1999	9,000,000	4.125 – 4.7	6/18	6,650,000
Multi-Purpose	Jul. 2000	14,310,000	5.0 – 5.5	6/18	12,215,000
Multi-Purpose	Jun. 2001	11,500,000	4.0 – 4.9	6/16	9,615,000
Multi-Purpose and Library Construction	May 2002	29,100,000	3.5 – 5.0	6/21	25,930,000
Refunded Multi-Purpose (3)	Oct. 2002	10,600,000	2.5 – 4.0	6/15	7,050,000
Multi-Purpose	Nov. 2003	5,570,000	2.5 – 3.6	6/14	5,570,000
Taxable – Urban Renewal	Mar. 2004	7,305,000	4.0 – 5.4	6/23	7,305,000
Total General Obligation Bonds					<u>88,985,000</u>

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2004

	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2004
<b>Revenue Bonds:</b>					
Parking Bonds	Dec. 1999	\$ 11,350,000	5.875 – 6.0	7/24	\$ 11,350,000
Wastewater Treatment Bonds	Mar. 1996	18,300,000	5.0 – 5.75	7/21	15,575,000
Wastewater Treatment Bonds	May 1997	10,600,000	5.15 – 5.5	7/22	9,150,000
Wastewater Treatment Bonds	Jan. 1999	7,000,000	4.25 – 4.87	7/24	6,020,000
Wastewater Treatment Bonds	Oct. 2000	12,000,000	5.125 – 5.5	7/25	11,125,000
Wastewater Treatment Bonds	Dec. 2001	10,250,000	4.5 – 5.0	7/20	10,250,000
Refunded Wastewater Treatment Bonds (2)	May 2002	25,785,000	3.25 – 4.1	7/13	23,810,000
Water Bonds	May 1999	9,200,000	4.75 – 5.0	7/25	8,385,000
Water Bonds	Dec. 2000	13,000,000	5.0 – 5.625	7/26	11,945,000
Water Bonds	Oct. 2002	8,500,000	2.0 – 4.65	7/22	8,100,000
Total Revenue Bonds					<u>115,710,000</u>
					<u>\$ 204,695,000</u>

- (1) These bond issues have a portion of the general obligation bonds payable shown as a liability on the balance sheet of the Water Fund.
- (2) This bond issue refunds the January 1993 Wastewater Revenue Bonds.
- (3) This bond issue has a portion of the general obligation bonds payable shown as a liability on the balance sheet of the Water Fund, Wastewater Fund, and Parking Fund.

**Conduit Debt Obligations**

From time to time, the City has issued Industrial Development Revenue Bonds and Facility Refunding Revenue Bonds to provide financial assistance to private sector entities for the acquisition, construction, and renovation of industrial and commercial facilities deemed to be in the public interest. The bonds are collateralized by the property financed and are payable solely from payments received on the underlying mortgage loans. All payments on the bonds are made by the private sector entities directly to a bond trustee, who is a third party financial institution, and in turn, disburses the payment to the respective bond holders. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2004, there was one series of Industrial Development Revenue Bonds and Facility Refunding Revenue Bonds outstanding, with an aggregate principal amount payable of \$39,215,000.



# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

### Debt Legal Compliance

#### Legal Debt Margin:

As of June 30, 2004, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Assessed valuation:	
Real property	\$2,917,088,086
Utilities	<u>58,166,019</u>
Total valuation	<u>\$2,975,254,105</u>
Debt limit, 5% of total assessed valuation	\$ 148,762,705
Debt applicable to debt limit:	
General obligation bonds	<u>85,085,000</u>
Legal debt margin	<u>\$ 63,677,705</u>

### 7. Segment Information

The City issued revenue bonds to finance construction of its parking facilities. Summary financial information for the parking department is presented below:

#### Condensed Statement of Net Assets

Assets:	
Current assets	\$ 1,581
Restricted assets	2,036
Capital assets	<u>20,306</u>
Total assets	<u>23,923</u>
Liabilities:	
Current liabilities	716
Noncurrent liabilities payable from restricted assets	340
Other noncurrent liabilities	<u>11,564</u>
Total liabilities	<u>12,620</u>
Net assets:	
Invested in capital assets, net of related debt	9,339
Restricted	1,392
Unrestricted	<u>572</u>
	<u>\$ 11,303</u>

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2004

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**

Operating revenue	\$ 4,103
Depreciation expense	(870)
Other operating expenses	<u>(2,319)</u>
Operating income	<u>914</u>

Nonoperating revenues (expenses):

Interest income	61
Interest expense	(707)
Transfer out	<u>(527)</u>
Change in net assets	(259)
Beginning net assets (as restated)	<u>11,562</u>
Ending net assets	<u>\$ 11,303</u>

**Condensed Statement of Cash Flows**

Net cash flows from:

Operating activities	\$ 1,787
Noncapital financing activities	(227)
Capital and related financing activities	(1,914)
Investing activities	<u>57</u>
Net decrease	(297)
Cash and cash equivalents, beginning (as restated)	<u>3,448</u>
Cash and cash equivalents, ending	<u>\$ 3,151</u>

**8. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; workplace accidents, errors and omissions; and natural disasters. During fiscal year 1988 the City established the Loss Reserve Fund, an internal service fund, to account for and finance its uninsured risks of loss. During the year ended June 30, 2004, the City purchased property, liability, and workers' compensation insurance under the program that provides for a \$200,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$300,000 self-insured retention on workers' compensation losses, with an annual aggregate retention of \$425,000 on property losses. The insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$10,000,000 annual aggregate of losses paid. The operating funds pay annual premiums to the Loss Reserve Fund. Accumulated monies in the Loss Reserve Fund are available to cover the self-insured retention amounts and any uninsured losses. Settled claims have not exceeded this commercial coverage in any of the past six fiscal years.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2004

The Housing Authority Fund is insured under a separate policy with the Assisted Housing Risk Management Association. The remaining funds participate in the Loss Reserve Fund. The funds make payments to the Loss Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. The Fund's accrued liabilities balance includes a claims liability at June 30, 2004, based on the requirements of GASB Statement No. 10, as amended, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Loss Reserve Fund's claims liability amount for property, liability, and workers' compensation for the years ended June 30, 2004 and 2003, are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2002 – 2003	\$ 372,000	\$ 658,000	\$ 222,000	\$ 808,000
2003 – 2004	808,000	464,000	464,000	808,000

Also, the City is partially self-insured, through stop-loss insurance, for employee health care coverage, which is available to all of its permanent employees. This insurance provides stop-loss coverage for claims in excess of \$50,000 per employee with an aggregate stop-loss of \$4,331,969. For the year ended June 30, 2003, the aggregate stop-loss was approximately \$4,046,000; otherwise, there was no change in coverage from the prior year. The operating funds are charged premiums by the Loss Reserve Fund. The City reimburses a health insurance provider for actual medical costs incurred, plus a claims processing fee. Changes in the Loss Reserve Fund's claims liability amount for health care coverage for the years ended June 30, 2004 and 2003, are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2002 – 2003	\$ 498,000	\$ 3,577,000	\$ 3,543,000	\$ 532,000
2003 – 2004	532,000	4,552,000	4,421,000	663,000

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2004

**9. Contractual Commitments and Contingencies**

The total outstanding contractual commitments as of June 30, 2004, are as follows:

<u>Fund</u>	<u>Project</u>	<u>Amount</u>
Bridge, street and traffic control construction	Paving, sidewalk, and design consulting	\$ 654,028
Other construction	Library expansion design and construction, park ampitheater and transportation center construction	6,894,162
Parking	Parking ramp design construction	3,449
Wastewater treatment	Sanitary sewer construction	402,766
Water	Dam and pedestrian bridge construction	462,582
Sanitation	Landfill consulting	274,092
Stormwater	Storm sewer mapping and construction	57,242
Broadband	Refranchising consulting	62,930
Economic development	Hotel construction	<u>5,326,914</u>
		<u>\$ 14,138,165</u>

**10. Contingent Liabilities**

**Litigation**

The City is a defendant in a number of lawsuits arising principally from claims against the City for alleged improper actions by City employees, including improper police action, unlawful taking of property by zoning, negligence, appeals of condemnations, and discrimination. Total damages claimed are substantial; however, it has been the City's experience that such actions are settled for amounts substantially less than claimed amounts. The City's management estimates that the potential claims against the City, not covered by various insurance policies, would not materially affect the financial condition of the City. The City has the authority to levy additional taxes (outside the regular limit) to cover uninsured judgments against the City.

## **CITY OF IOWA CITY, IOWA**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2004

#### **11. Pension and Retirement Systems**

##### **Municipal Fire and Police Retirement System of Iowa**

The City is a participating employer in the Municipal Fire and Police Retirement System of Iowa (MFPRSI or the Plan), which is a cost-sharing multiple-employer defined benefit public police and fire employees retirement system. All fire fighters and police officers appointed under civil service participate in the Plan. The Plan provides retirement, disability, and death benefits that are established under state statute. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104<sup>th</sup> Street, Urbandale, Iowa 50322. A member may retire at age 55 with 22 years of employment, and receive full benefits that are equal to 66% of the member's average final compensation for a member retiring after July 1, 2000. Additionally, members retiring on or after July 1, 2000, with more than 22 years of service will receive an additional 2% of the member's average final compensation for up to 8 years of additional service. Other benefits are also calculated as varying percentages of the average final compensation. Benefits vest after four years of service.

Member contribution rates are established by statute. For the fiscal year ended June 30, 2004, members contributed 9.35%. The City's contribution rate is based upon an actuarially determined normal contribution rate. The normal contribution rate is provided by state statute to be the actuarial liabilities of the Plan less current plan assets, the total then being divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions. Legislatively appropriated contributions from the state to the Plan may further reduce the City's contribution rate. However, the City's contribution rate may not be less than 20.48% of earnable compensation.

For the year ended June 30, 2004, the City's contribution rate was 20.48% of earnable compensation of each member. The contributions paid by the City for the years ended June 30, 2002, 2003, and 2004, were \$1,022,241, \$1,059,538, and \$1,335,065, respectively, and was equal to the required contributions for each year.

##### **Iowa Public Employees Retirement System**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

All employees, except temporary employees of six months or less of employment duration, who do not participate in any other public retirement system in the state are eligible and must participate in IPERS. The pension plan provides retirement and death benefits that are established by state statute. Generally, a member may retire at the age of 65, or any time after age 62 and 26 years or more of service, or when age plus years of service equals or exceeds 88, and receive unreduced (for age) benefits. Members may also retire at the age of 55 or more at reduced benefits. Benefits vest after four years of service or after attaining the age of 55. Full benefits are equal to 60% of the average of the highest three years of covered wages times years of service divided by 30.

## CITY OF IOWA CITY, IOWA

### NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2002, 2003, and 2004, were \$1,116,333, \$1,220,376, and \$1,240,324, respectively, and were equal to the required contributions for each year.

#### 12. Post-Employment Benefits

All full-time employees who retire or become disabled are offered the following post-employment benefit options:

Health insurance – The option of continuing with the City's health insurance plan at the individual's own cost.

Life insurance – The option of converting the employee's City-paid policy from term insurance to whole life insurance at the individual's expense with the City's life insurance carrier.

Long-term disability – The option of converting the employee's City-paid group policy to a personal policy at the individual's expense with the City's long-term disability insurance carrier.

The above options, while at the individual's own expense, are included within the City's overall insurance package. Therefore, a portion of the above coverages is being subsidized by the City and its current employees. However, the City cannot reasonably estimate the amount of this subsidy and it is being expensed as incurred by the City.

#### 13. Landfill Closure and Postclosure Care Costs

In August 1993, the GASB issued Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs* (the Statement). Under these rules, in addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year.

The estimated liability for landfill closure and postclosure care costs as of June 30, 2004, is approximately \$7,876,000, which is based on 67% usage (filled) of the landfill and is included in accrued liabilities within the Sanitation Fund. It is estimated that an additional amount of approximately \$3,924,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity by the year ended June 30, 2019. The estimated total current cost of the landfill closure and postclosure care costs at June 30, 2004, was determined by engineers from Howard R. Green Company and approximated \$11,800,000. It is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2004. These amounts are based on an estimated postclosure care and monitoring period of 30 years, consistent with current State Department of Natural Resources regulations. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

The City is required by federal and state laws and regulations to provide some form of financial assurance to finance closure and postclosure care. The City will meet its financial assurance obligations through the issuance of general obligation bonds. As of June 30, 2004, the Sanitation Fund had \$8,099,236 in related equity in pooled cash and investments, at fair value designated for satisfaction of postclosure costs. The City estimates that these cash reserves will only provide a fraction of the dollars needed to close and monitor the landfill. The remaining portion of postclosure care costs, anticipated future inflation costs and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users as well as City taxpayers.

### 14. Restatement of Beginning Balances

The restatements of fund balances and net assets were due to the following:

The City started a Stormwater Fund. Various assets and liabilities were put into this fund from various funds.

During the recent system conversion, it was discovered that various assets and liabilities had not been recorded in the proper fund.

Also during the conversion it was discovered that activity for some of the agency funds had been improperly recorded in the General Fund and Cable Television Fund.

The system conversion also uncovered several amounts placed into escrow and developer deposits that should have been recorded as liabilities.

Restatements of fund balances and net assets previously reported are as follows:

(Amounts in thousands)

Fund	Fund Balance/ Net Assets June 30, 2003, as Previously Reported	Effect of Starting Stormwater Fund	Effect of Recording Assets and Liabilities in the Proper Funds	Effect of Moving Assets and Liabilities into Agency Funds	Effect of Recording Additional Liabilities	Fund Balance/ Net Assets June 30, 2003, as Restated
General	\$ 14,106	\$ -	\$ (160)	\$ (66)	\$ (553)	\$ 13,327
Bridge, street, and traffic control construction	(1,526)	675	-	-	-	(851)
Other shared revenue and grants	3,906	-	(272)	-	-	3,634
Parking	11,342	-	220	-	-	11,562
Stormwater	-	24,448	-	-	-	24,448
Cable television	1,780	-	-	(90)	-	1,690
Governmental activities	112,872	(25,123)	212	-	-	87,961
Business-type activities	169,246	24,448	220	(90)	-	193,824

## CITY OF IOWA CITY, IOWA

### NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2004

#### 15. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by the City. The statements, which might impact the City are as follows:

Statement No. 40, *Deposit and Investment Risk Disclosures* issued March 2003, will be effective for the City for the fiscal year ending June 30, 2005. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* issued November 2003, will be effective for the City for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

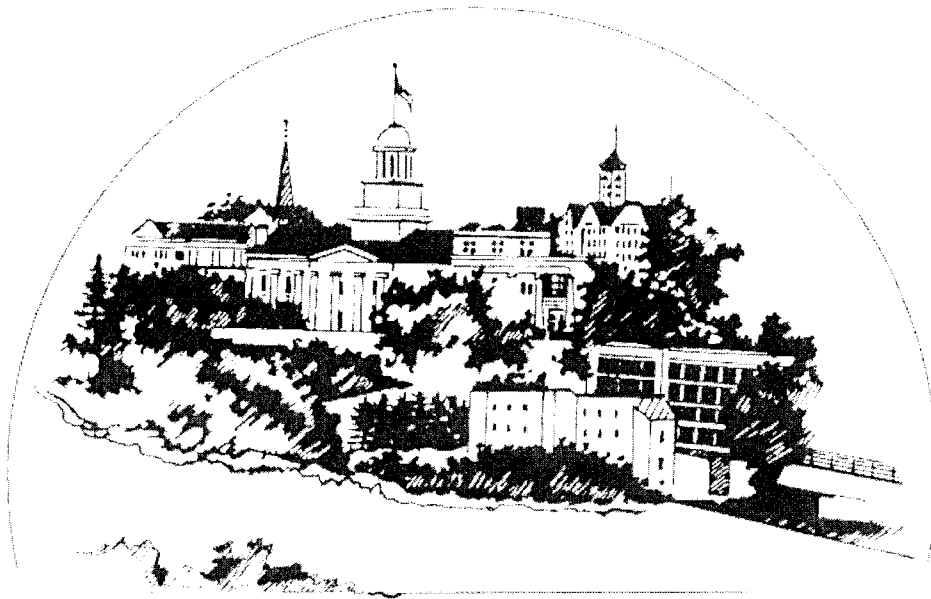
Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* issued April 2004, will be effective for the City for the fiscal year ending June 30, 2008. This statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 44, *Economic Condition Reporting: The Statistical Section* issued May 2004, will be effective for the City for the fiscal year ending June 30, 2006. This statement amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* issued June 2004, will be effective for the City for the fiscal year ending June 30, 2009. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The City's management has not yet determined the effect these statements will have on the City's financial statements.





# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues derived from specific sources that are required to be accounted for as separate funds. The funds in this category and their purpose are as follows:

**Community Development Block Grant Fund** – accounts for revenue from the U.S. Department of Housing and Urban Development’s Community Development Block Grant programs.

**Other Shared Revenue and Grants Fund** – accounts for revenue from various sources, primarily road use tax monies from the State of Iowa and reimbursable programs funded by federal and state grants.

**Economic Development Fund** – accounts for revenue and expenditures of economic development activities.

**Johnson County Council of Governments Fund** – accounts for the financial activities of the metropolitan/rural cooperative planning organization.

## CAPITAL PROJECTS FUNDS

Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities and other major fixed assets, with the exception of those that are financed by proprietary fund monies. The fund in this category is as follows:

**Bridge, Street, and Traffic Control Construction Fund** – accounts for the construction or replacement of infrastructure fixed assets, such as streets, bridges, dams, sidewalks, and lighting systems.

**CITY OF IOWA CITY, IOWA**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2004  
(amounts expressed in thousands)

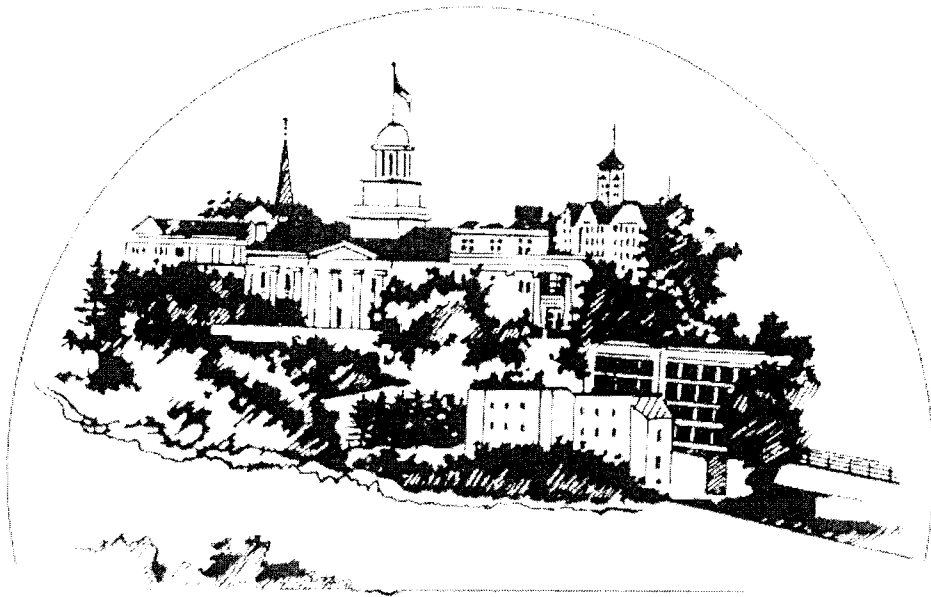
	Special Revenue				Capital Projects	
	Community Development Block Grant	Other Shared Revenue and Grants	Economic Development	Johnson County Council of Governments	Bridge, Street, and Traffic Control Construction	Total
<b>Assets</b>						
Equity in pooled cash and investments	\$ 11	\$ 3,986	\$ 5,242	\$ 35	\$ -	\$ 9,274
Receivables:						
Accounts and unbilled usage	-	-	-	-	55	55
Interest	-	-	54	-	-	54
Notes	8,242	-	-	-	-	8,242
Due from other governments	29	446	-	39	1,020	1,534
 Total assets	<u>\$ 8,282</u>	<u>\$ 4,432</u>	<u>\$ 5,296</u>	<u>\$ 74</u>	<u>\$ 1,075</u>	<u>\$ 19,159</u>
 <b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 12	\$ 1	\$ 188	\$ 1	\$ 56	\$ 258
Contracts payable	-	-	232	-	626	858
Accrued liabilities	9	-	-	12	10	31
Advances from other funds	-	-	-	-	48	48
Deferred revenue	8,242	-	-	8	1,067	9,317
 Total liabilities	<u>8,263</u>	<u>1</u>	<u>420</u>	<u>21</u>	<u>1,807</u>	<u>10,512</u>
 Fund balances:						
Unreserved, undesignated	19	4,431	4,876	53	(732)	8,647
 Total liabilities and fund balances	<u>\$ 8,282</u>	<u>\$ 4,432</u>	<u>\$ 5,296</u>	<u>\$ 74</u>	<u>\$ 1,075</u>	<u>\$ 19,159</u>

**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	<u>Special Revenue</u>				<u>Capital Projects</u>	
	<u>Community Development Block Grant</u>	<u>Other Shared Revenue and Grants</u>	<u>Economic Development</u>	<u>Johnson County Council of Governments</u>	<u>Bridge, Street, and Traffic Control Construction</u>	<u>Total</u>
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ 170	\$ -	\$ -	\$ 170
Intergovernmental	786	5,402	300	245	914	7,647
Charges for services	-	-	-	-	26	26
Use of money and property	1	-	80	-	-	81
Miscellaneous	337	1	-	3	35	376
Total revenues	<u>1,124</u>	<u>5,403</u>	<u>550</u>	<u>248</u>	<u>975</u>	<u>8,300</u>
<b>Expenditures</b>						
Current:						
Public works	-	13	-	-	803	816
Community and economic development	640	85	1,380	546	-	2,651
Capital outlay	688	-	232	5	2,738	3,663
Total expenditures	<u>1,328</u>	<u>98</u>	<u>1,612</u>	<u>551</u>	<u>3,541</u>	<u>7,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(204)</u>	<u>5,305</u>	<u>(1,062)</u>	<u>(303)</u>	<u>(2,566)</u>	<u>1,170</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from bond issuance	-	-	6,083	-	-	6,083
Proceeds from sale of capital assets	250	-	-	-	-	250
Premium (discount) on issuance of bonds	-	-	(49)	-	-	(49)
Transfers in	-	-	-	320	3,219	3,539
Transfers out	-	(4,508)	-	-	(534)	(5,042)
Total other financing sources and (uses)	<u>250</u>	<u>(4,508)</u>	<u>6,034</u>	<u>320</u>	<u>2,685</u>	<u>4,781</u>
Excess of revenues and other financing sources over expenditures and other financing uses	46	797	4,972	17	119	5,951
<b>Fund Balances, Beginning (as restated)</b>	<u>(27)</u>	<u>3,634</u>	<u>(96)</u>	<u>36</u>	<u>(851)</u>	<u>2,696</u>
<b>Fund Balances, Ending</b>	<u>\$ 19</u>	<u>\$ 4,431</u>	<u>\$ 4,876</u>	<u>\$ 53</u>	<u>\$ (732)</u>	<u>\$ 8,647</u>



# NONMAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations and activities of the City that are financed and operated in a manner similar to a private business enterprise, and where the costs of providing services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The funds in this category are as follows:

**Parking Fund** – accounts for the operation and maintenance of the “on” and “off” street public parking facilities.

**Airport Fund** – accounts for the operation and maintenance of the airport facility.

**Stormwater Fund** – accounts for the operation and maintenance of the stormwater operation.

**Cable Television Fund** – accounts for the operation and maintenance of the Broadband Telecommunications Commission that oversees the franchise agreement with the cable television company, including production and broadcasting on the government television channels.

**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF NET ASSETS**

**NONMAJOR ENTERPRISE FUNDS**

June 30, 2004  
(amounts expressed in thousands)

	Parking	Airport	Stormwater	Cable Television	Total
<b>Assets</b>					
Current assets:					
Equity in pooled cash and investments	\$ 1,115	\$ -	\$ -	\$ 814	\$ 1,929
Receivables:					
Accounts and unbilled usage	12	-	57	164	233
Interest	10	-	-	-	10
Notes	444	-	-	-	444
Due from other governments	-	115	-	-	115
Total current assets	1,581	115	57	978	2,731
Noncurrent assets:					
Restricted assets:					
Equity in pooled cash and investments	2,036	-	-	-	2,036
Capital assets:					
Land	3,938	7,975	2,130	-	14,043
Buildings and structures	25,039	3,352	-	741	29,132
Improvements other than buildings	-	415	-	-	415
Equipment and vehicles	278	184	-	126	588
Infrastructure	-	1,860	26,905	-	28,765
Accumulated depreciation	(8,994)	(2,597)	(3,868)	(150)	(15,609)
Construction in progress	45	141	863	-	1,049
Total noncurrent assets	22,342	11,330	26,030	717	60,419
Total assets	23,923	11,445	26,087	1,695	63,150
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	16	4	-	4	24
Contracts payable	-	-	86	3	89
Accrued liabilities	110	16	5	36	167
Advances from other funds	-	1,039	10	-	1,049
Bonded debt payable (net of unamortized discounts)	590	-	-	-	590
Total current liabilities	716	1,059	101	43	1,919
Noncurrent liabilities:					
Liabilities payable from restricted assets:					
Interest payable	338	-	-	-	338
Deposits	2	2	-	-	4
Bonded debt payable (net of unamortized discounts)	11,564	-	-	-	11,564
Total noncurrent liabilities	11,904	2	-	-	11,906
Total liabilities	12,620	1,061	101	43	13,825
<b>Net Assets</b>					
Invested in capital assets, net of related debt	9,339	11,329	26,030	717	47,415
Restricted by bond ordinance	1,277	-	-	-	1,277
Restricted for future improvements	115	-	-	-	115
Unrestricted	572	(945)	(44)	935	518
Total net assets	\$ 11,303	\$ 10,384	\$ 25,986	\$ 1,652	\$ 49,325

**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	<u>Parking</u>	<u>Airport</u>	<u>Stormwater</u>	<u>Cable Television</u>	<u>Total</u>
<b>Operating Revenues:</b>					
Charges for services	\$ 4,011	\$ 213	\$ 104	\$ 673	\$ 5,001
Miscellaneous	92	-	-	1	93
Total operating revenues	<u>4,103</u>	<u>213</u>	<u>104</u>	<u>674</u>	<u>5,094</u>
<b>Operating Expenses:</b>					
Personal services	1,460	124	8	388	1,980
Commodities	204	12	-	21	237
Services and charges	655	191	113	100	1,059
	<u>2,319</u>	<u>327</u>	<u>121</u>	<u>509</u>	<u>3,276</u>
Depreciation	870	188	531	40	1,629
Total operating expenses	<u>3,189</u>	<u>515</u>	<u>652</u>	<u>549</u>	<u>4,905</u>
Operating income (loss)	<u>914</u>	<u>(302)</u>	<u>(548)</u>	<u>125</u>	<u>189</u>
<b>Nonoperating Revenues (Expenses):</b>					
Interest income	61	-	-	7	68
Interest expense	(707)	-	-	-	(707)
Total nonoperating revenues (expenses)	<u>(646)</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>(639)</u>
Income (loss) before transfers	268	(302)	(548)	132	(450)
Capital contributions	-	116	717	-	833
Transfers in	-	223	1,401	-	1,624
Transfers out	<u>(527)</u>	<u>-</u>	<u>(32)</u>	<u>(170)</u>	<u>(729)</u>
Change in net assets	(259)	37	1,538	(38)	1,278
<b>Net Assets, Beginning (as restated)</b>	<u>11,562</u>	<u>10,347</u>	<u>24,448</u>	<u>1,690</u>	<u>48,047</u>
<b>Net Assets, Ending</b>	<u>\$ 11,303</u>	<u>\$ 10,384</u>	<u>\$ 25,986</u>	<u>\$ 1,652</u>	<u>\$ 49,325</u>



# CITY OF IOWA CITY, IOWA

## COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	<u>Parking</u>	<u>Airport</u>	<u>Stormwater</u>	<u>Cable Television</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>					
Receipts from customers and users	\$ 4,103	\$ 136	\$ 47	\$ 663	\$ 4,949
Payments to suppliers	(867)	(222)	(765)	(118)	(1,972)
Payments to employees	(1,449)	(122)	(4)	(386)	(1,961)
Net cash flows from operating activities	<u>1,787</u>	<u>(208)</u>	<u>(722)</u>	<u>159</u>	<u>1,016</u>
<b>Cash Flows From Noncapital Financing Activities</b>					
Operating transfers from other funds	-	223	1,401	-	1,624
Operating transfers to other funds	(227)	-	-	(170)	(397)
Net cash flows from noncapital financing activities	<u>(227)</u>	<u>223</u>	<u>1,401</u>	<u>(170)</u>	<u>1,227</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Capital grants received	-	116	-	-	116
Repayment of advances from other funds	-	(121)	(1)	-	(122)
Acquisition and construction of property and equipment	(521)	(10)	(678)	(40)	(1,249)
Principal paid on bonded debt	(671)	-	-	-	(671)
Interest paid on bonded debt	(722)	-	-	-	(722)
Net cash flows from capital and related financing activities	<u>(1,914)</u>	<u>(15)</u>	<u>(679)</u>	<u>(40)</u>	<u>(2,648)</u>
<b>Cash Flows From Investing Activities</b>					
Interest on investments	<u>57</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>67</u>
Net increase (decrease) in cash and cash equivalents	(297)	-	-	(41)	(338)
<b>Cash and Cash Equivalents, Beginning (as restated)</b>	<u>3,448</u>	<u>-</u>	<u>-</u>	<u>855</u>	<u>4,303</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 3,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 814</u>	<u>\$ 3,965</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income (loss)	\$ 914	\$ (302)	\$ (548)	\$ 125	\$ 189
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation expense	870	188	531	40	1,629
Changes in:					
Receivables:					
Accounts and unbilled usage	(2)	-	(57)	(11)	(70)
Due from other governments	-	(79)	-	-	(79)
Accounts payable	(8)	(19)	(652)	3	(676)
Accrued liabilities	11	2	4	2	19
Deposits	2	2	-	-	4
Total adjustments	<u>873</u>	<u>94</u>	<u>(174)</u>	<u>34</u>	<u>827</u>
Net cash flows from operating activities	<u>\$ 1,787</u>	<u>\$ (208)</u>	<u>\$ (722)</u>	<u>\$ 159</u>	<u>\$ 1,016</u>

# INTERNAL SERVICE FUNDS

Internal Service Funds account for goods and services provided by one department to other City departments on a cost-reimbursement basis. The funds in this category are:

**Equipment Maintenance Fund** – accounts for the provision of maintenance for City vehicles and equipment and vehicle rental to other City departments from a central vehicle pool.

**Central Services Fund** – accounts for the support services of photocopying, paper supplies, mail, overnight shipping, and two-way radios provided to other City departments.

**Loss Reserve Fund** – accounts for the property, liability, Workers' Compensation and health insurance premiums and claims activity for City departments, including the self-insured retention portion.

**Information Technology Fund** – accounts for the accumulation and allocation of costs associated with telecommunications and data processing, including the operation and replacement of equipment.

**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS**

June 30, 2004  
(amounts expressed in thousands)

	<u>Equipment Maintenance</u>	<u>Central Services</u>	<u>Loss Reserve</u>	<u>Information Technology</u>	<u>Total</u>
<b>Assets</b>					
Current assets:					
Equity in pooled cash and investments	\$ 3,416	\$ 239	\$ 4,502	\$ 1,696	\$ 9,853
Receivables:					
Accounts and unbilled usage	-	-	54	-	54
Interest	15	1	19	7	42
Due from other governments	44	-	-	-	44
Inventories	210	-	-	-	210
Total current assets	<u>3,685</u>	<u>240</u>	<u>4,575</u>	<u>1,703</u>	<u>10,203</u>
Noncurrent assets:					
Restricted assets:					
Equity in pooled cash and investments	1	-	-	-	1
Capital assets:					
Land	45	-	-	-	45
Buildings and structures	578	-	-	254	832
Improvements other than buildings	50	-	-	-	50
Equipment and vehicles	9,756	257	-	1,219	11,232
Infrastructure	-	-	-	940	940
Accumulated depreciation	(5,929)	(115)	-	(616)	(6,660)
Total noncurrent assets	<u>4,501</u>	<u>142</u>	<u>-</u>	<u>1,797</u>	<u>6,440</u>
Total assets	<u>8,186</u>	<u>382</u>	<u>4,575</u>	<u>3,500</u>	<u>16,643</u>
<b>Liabilities</b>					
Accounts payable	84	9	290	23	406
Accrued liabilities	<u>72</u>	<u>2</u>	<u>1,477</u>	<u>57</u>	<u>1,608</u>
Total liabilities	<u>156</u>	<u>11</u>	<u>1,767</u>	<u>80</u>	<u>2,014</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	4,500	142	-	1,797	6,439
Unrestricted	<u>3,530</u>	<u>229</u>	<u>2,808</u>	<u>1,623</u>	<u>8,190</u>
Total net assets	<u>\$ 8,030</u>	<u>\$ 371</u>	<u>\$ 2,808</u>	<u>\$ 3,420</u>	<u>\$ 14,629</u>

**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	<u>Equipment Maintenance</u>	<u>Central Services</u>	<u>Loss Reserve</u>	<u>Information Technology</u>	<u>Total</u>
<b>Operating Revenues:</b>					
Charges for services	\$ 2,797	\$ 241	\$ 5,874	\$ 1,987	\$ 10,899
Miscellaneous	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>4</u>
Total operating revenues	<u>2,797</u>	<u>243</u>	<u>5,874</u>	<u>1,989</u>	<u>10,903</u>
<b>Operating Expenses:</b>					
Personal services	653	23	94	549	1,319
Commodities	873	20	1	206	1,100
Services and charges	<u>281</u>	<u>159</u>	<u>5,762</u>	<u>1,035</u>	<u>7,237</u>
	1,807	202	5,857	1,790	9,656
Depreciation	<u>1,027</u>	<u>33</u>	<u>-</u>	<u>242</u>	<u>1,302</u>
Total operating expenses	<u>2,834</u>	<u>235</u>	<u>5,857</u>	<u>2,032</u>	<u>10,958</u>
Operating income (loss)	<u>(37)</u>	<u>8</u>	<u>17</u>	<u>(43)</u>	<u>(55)</u>
<b>Nonoperating Revenues (Expenses):</b>					
Gain on disposal of equipment	28	-	-	-	28
Interest income	<u>6</u>	<u>2</u>	<u>40</u>	<u>19</u>	<u>67</u>
Total nonoperating revenues	<u>34</u>	<u>2</u>	<u>40</u>	<u>19</u>	<u>95</u>
Income (loss) before capital contributions and transfers	<u>(3)</u>	<u>10</u>	<u>57</u>	<u>(24)</u>	<u>40</u>
Transfers in	<u>277</u>	<u>-</u>	<u>-</u>	<u>263</u>	<u>540</u>
Change in net assets	274	10	57	239	580
<b>Net Assets, Beginning</b>	<u>7,756</u>	<u>361</u>	<u>2,751</u>	<u>3,181</u>	<u>14,049</u>
<b>Net Assets, Ending</b>	<u>\$ 8,030</u>	<u>\$ 371</u>	<u>\$ 2,808</u>	<u>\$ 3,420</u>	<u>\$ 14,629</u>

# CITY OF IOWA CITY, IOWA

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
<b>Cash Flows From Operating Activities</b>					
Receipts from customers and users	\$ 2,774	\$ 243	\$ 5,820	\$ 2,151	\$ 10,988
Payments to suppliers	(1,111)	(172)	(5,750)	(1,258)	(8,291)
Payments to employees	(644)	(22)	40	(541)	(1,167)
Net cash flows from operating activities	<u>1,019</u>	<u>49</u>	<u>110</u>	<u>352</u>	<u>1,530</u>
<b>Cash Flows From Noncapital Financing Activities</b>					
Operating transfers from other funds	277	-	-	263	540
<b>Cash Flows From Capital and Related Financing Activities</b>					
Acquisition and construction of property and equipment	(1,061)	(18)	-	(173)	(1,252)
Proceeds from sale of property	<u>152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152</u>
Net cash flows from capital and related financing activities	<u>(909)</u>	<u>(18)</u>	<u>-</u>	<u>(173)</u>	<u>(1,100)</u>
<b>Cash Flows From Investing Activities</b>					
Interest on investments	<u>4</u>	<u>3</u>	<u>38</u>	<u>17</u>	<u>62</u>
Net increase in cash and cash equivalents	391	34	148	459	1,032
<b>Cash and Cash Equivalents, Beginning</b>	<u>3,026</u>	<u>205</u>	<u>4,354</u>	<u>1,237</u>	<u>8,822</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 3,417</u>	<u>\$ 239</u>	<u>\$ 4,502</u>	<u>\$ 1,696</u>	<u>\$ 9,854</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income (loss)	\$ (37)	\$ 8	\$ 17	\$ (43)	\$ (55)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation expense	1,027	33	-	242	1,302
Changes in:					
Receivables:					
Accounts and unbilled usage	22	-	(54)	-	(32)
Due from other governments	(44)	-	-	162	118
Inventories	(1)	-	-	-	(1)
Accounts payable	43	7	13	(17)	46
Accrued liabilities	<u>9</u>	<u>1</u>	<u>134</u>	<u>8</u>	<u>152</u>
Total adjustments	<u>1,056</u>	<u>41</u>	<u>93</u>	<u>395</u>	<u>1,585</u>
Net cash flows from operating activities	<u>\$ 1,019</u>	<u>\$ 49</u>	<u>\$ 110</u>	<u>\$ 352</u>	<u>\$ 1,530</u>

# AGENCY FUNDS

The Agency Funds account for assets held by the City in a trustee or custodial capacity for other entities, such as individuals, private organizations, or other governmental units. The funds in this category are:

**Project Green Fund** – accounts for donations that are received to plant and develop yards and lawns, both public and private, within Iowa City.

**Library Foundation** – accounts for donations that are made to support the library development office.

**Parks and Recreation Foundation** – accounts for donations that are received for park improvements.

**PATV** – accounts for investments made on behalf of Public Access Television.

**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS**

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	Balance July 1, 2003 (as restated)	Increases	Decreases	Balance June 30, 2004
<b>Project Green</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 285	\$ 51	\$ 85	\$ 251
Interest receivable	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total assets	<u>\$ 286</u>	<u>\$ 52</u>	<u>\$ 86</u>	<u>\$ 252</u>
<b>Liabilities</b>				
Accounts payable	\$ 16	\$ 18	\$ 16	\$ 18
Due to agency	<u>270</u>	<u>34</u>	<u>70</u>	<u>234</u>
Total liabilities	<u>\$ 286</u>	<u>\$ 52</u>	<u>\$ 86</u>	<u>\$ 252</u>
<b>Library Foundation</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 17	\$ 32	\$ 48	\$ 1
Accounts receivable	<u>1</u>	<u>19</u>	<u>1</u>	<u>19</u>
	<u>\$ 18</u>	<u>\$ 51</u>	<u>\$ 49</u>	<u>\$ 20</u>
<b>Liabilities</b>				
Accounts payable	\$ 17	\$ 16	\$ 17	\$ 16
Accrued liabilities	<u>1</u>	<u>4</u>	<u>1</u>	<u>4</u>
Due to agency	<u>-</u>	<u>31</u>	<u>31</u>	<u>-</u>
Total liabilities	<u>\$ 18</u>	<u>\$ 51</u>	<u>\$ 49</u>	<u>\$ 20</u>
<b>Parks and Recreation Foundation</b>				
<b>Assets</b>				
Equity in pooled cash and investments	<u>\$ 49</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 50</u>
<b>Liabilities</b>				
Accounts payable	<u>\$ 49</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 50</u>

(continued)

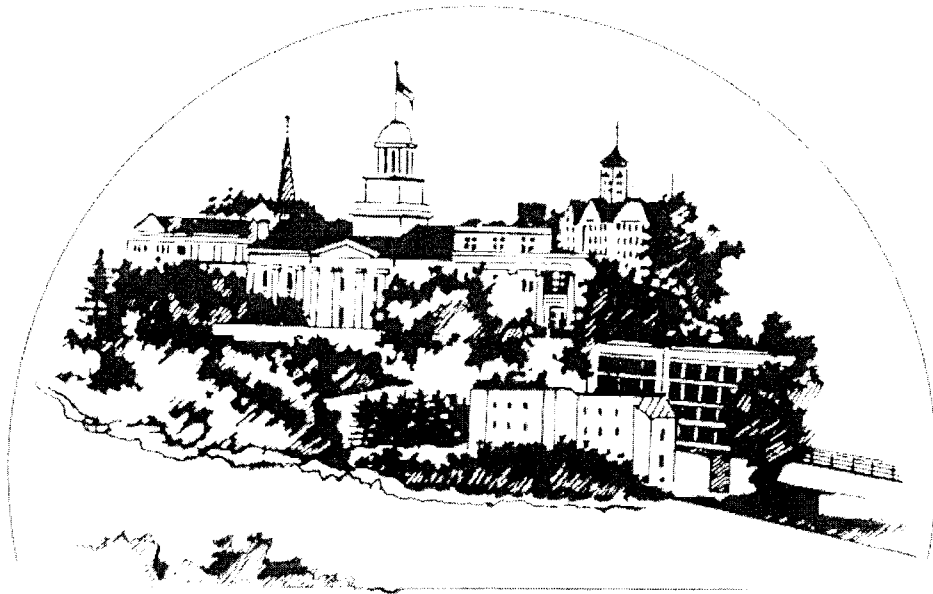
**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (continued)**  
**AGENCY FUNDS**

For the Year Ended June 30, 2004  
(amounts expressed in thousands)

	Balance July 1, 2003 (as restated)	Increases	Decreases	Balance June 30, 2004
<b>PATV</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 90	\$ 185	\$ 181	\$ 94
<b>Liabilities</b>				
Due to agency	\$ 90	\$ 185	\$ 181	\$ 94
<b>Total Agency Funds</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 441	\$ 269	\$ 314	\$ 396
Accounts receivable	1	19	1	19
Interest receivable	1	1	1	1
Total assets	\$ 443	\$ 289	\$ 316	\$ 416
<b>Liabilities</b>				
Accounts payable	\$ 82	\$ 35	\$ 33	\$ 84
Accrued liabilities	1	4	1	4
Due to agency	360	250	282	328
Total liabilities	\$ 443	\$ 289	\$ 316	\$ 416





**CITY OF IOWA CITY, IOWA**

**GOVERNMENT-WIDE EXPENSES BY FUNCTION**

(amounts expressed in thousands)

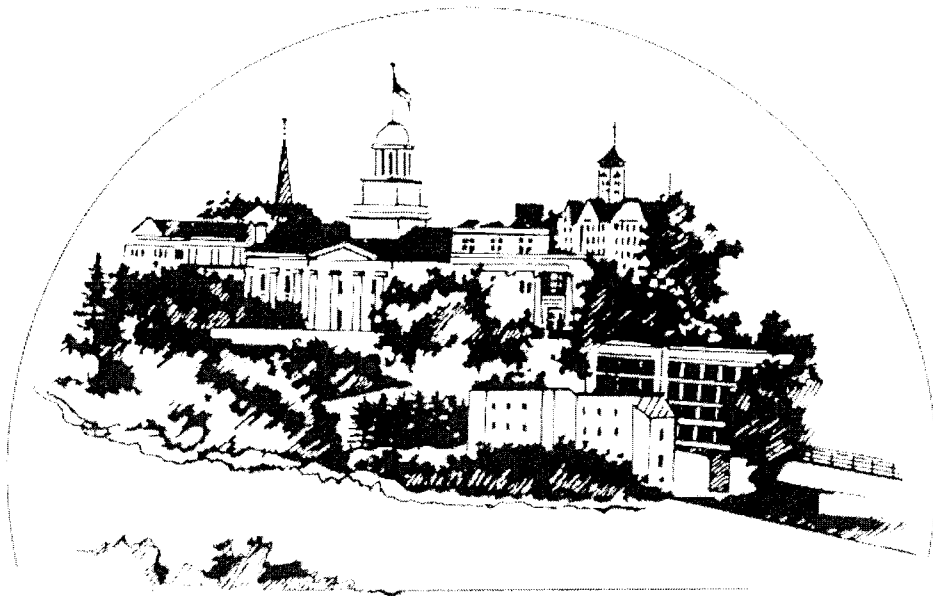
<b>Fiscal Year Ended <u>June 30</u></b>	<b><u>Public Safety</u></b>	<b><u>Public Works</u></b>	<b><u>Culture and Recreation</u></b>	<b><u>Community and Economic Development</u></b>	<b><u>General Government</u></b>	<b><u>Interest on Long-Term Debt</u></b>	<b><u>Airport</u></b>		
2003	\$ 13,844	\$ 11,539	\$ 10,131	\$ 3,133	\$ 6,251	\$ 3,662	\$ 431		
2004	15,015	10,423	12,051	2,580	6,527	3,440	515		
	<b><u>Cable TV</u></b>	<b><u>Housing Authority</u></b>	<b><u>Parking</u></b>	<b><u>Sanitation</u></b>	<b><u>Wastewater Treatment</u></b>	<b><u>Water</u></b>	<b><u>Stormwater</u></b>	<b><u>Total</u></b>	
2003	\$ 687	\$ 6,519	\$ 3,554	\$ 4,082	\$ 12,086	\$ 7,861	\$ -	\$ 83,780	
2004	549	7,219	3,898	6,103	12,344	8,011	652	89,327	

**CITY OF IOWA CITY, IOWA**

**GOVERNMENT-WIDE REVENUES**

(amounts expressed in thousands)

Fiscal Year Ended June 30	PROGRAM REVENUES			GENERAL REVENUES				
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Taxes	Gain on Disposal of Capital Assets	Unrestricted Investment Earnings	Miscellaneous	Total
2003	\$ 39,366	\$ 9,624	\$ 3,922	\$ 38,811	\$ -	\$ 1,090	\$ 4,168	\$ 96,981
2004	40,177	9,109	8,451	41,093	1,074	2,047	4,081	106,032



**CITY OF IOWA CITY, IOWA**

**GENERAL GOVERNMENTAL\* EXPENDITURES BY FUNCTION  
AND TRANSFERS TO OTHER FUNDS**

Last Ten Fiscal Years

(amounts expressed in thousands)

<b>General Fund</b>						
<b>Fiscal Year Ended June 30</b>	<b>Community Protection<sup>1</sup></b>	<b>Human Development<sup>2</sup></b>	<b>Home and Community Environment<sup>3</sup></b>	<b>Policy and Administration<sup>4</sup></b>	<b>Capital Outlay</b>	
1995	\$ 8,776	\$ 5,558	\$ 2,655	\$ 4,354	\$ 660	
1996	9,389	5,849	2,876	4,682	2,181	
1997	9,524	6,299	3,252	4,860	1,005	
1998	10,310	6,405	3,245	5,477	1,451	
** 1999	10,991	6,552	3,606	5,232	2,232	
2000	12,085	7,765	4,499	5,453	2,900	
2001	12,337	8,268	5,316	5,493	1,318	
*** 2002	13,181	8,459	3,856	5,838	1,089	

**Notes:**

- \* General Fund, Special Revenue Funds and Debt Service Fund.
- \*\* In FY99, Housing Authority was reported as an Enterprise Fund.
- \*\*\* In FY02, Economic Development was added to the Special Revenue Funds.

<sup>1</sup>Includes Police, Fire, Housing and Inspection Services and Traffic Engineering.

<sup>2</sup>Includes Recreation, Library, Senior Center, Parks and Animal Control.

<sup>3</sup>Includes Engineering, Streets Maintenance, Forestry and Cemetery and Public Works Administration.

<sup>4</sup>Includes Legislative, Executive, Financial Administration, Government Buildings, Escrows, Clearing Accounts and Planning and Community Development.

<b>Fiscal Year Ended June 30</b>	<b>Public Safety<sup>5</sup></b>	<b>Public Works<sup>6</sup></b>	<b>Culture and Recreation<sup>7</sup></b>	<b>Community and Economic Development<sup>8</sup></b>	<b>General Government<sup>9</sup></b>
2003	\$ 13,115	\$ 8,149	\$ 8,061	\$ 3,715	\$ 5,887
2004	14,025	9,156	9,392	3,486	6,080

**Notes:**

Includes all funds except for proprietary funds.

<sup>5</sup>Includes Police, Fire, Animal Control and Housing and Inspection Services.

<sup>6</sup>Includes Recreation, Library, Senior Center, Cemetery and Parks.

<sup>7</sup>Includes Engineering, Streets Maintenance, Traffic Engineering, Forestry, Transit and Public Works Administration.

<sup>8</sup>Includes Planning and Community Development, Community Development Block Grant and Johnson County Council of Governments.

<sup>9</sup>Includes Legislative, Executive, Financial Administration, Government Buildings, Escrows and Clearing Accounts.

**Special Revenue Funds**

<b>Community Development <u>Block Grant</u></b>	<b>Other Shared Revenue and Grants</b>	<b>Employee Benefits</b>	<b>*** Economic Development</b>	<b>** Housing Authority</b>	<b>Debt Service</b>	<b>Transfers to Other Funds</b>	<b><u>Total</u></b>
\$ 1,674	\$ 69	\$ 238	\$ -	\$ 5,496	\$ 2,367	\$ 8,978	\$ 40,825
2,615	150	159	-	6,450	2,519	9,744	46,614
1,758	66	210	-	4,392	1,963	12,361	45,690
2,235	117	178	-	4,591	2,727	10,575	47,311
1,802	265	215	-	-	3,490	11,466	45,851
1,550	157	145	-	-	4,278	13,895	52,727
1,968	226	259	-	-	5,304	13,409	53,898
1,941	98	371	3	-	5,735	12,891	53,462

<b><u>Debt Service</u></b>	<b><u>Capital Outlay</u></b>	<b><u>Transfers to Other Funds</u></b>	<b><u>Total</u></b>
\$ 8,425	\$ 20,095	\$ 14,554	\$ 82,001
8,508	16,065	16,733	\$ 83,445

# CITY OF IOWA CITY, IOWA

## GENERAL GOVERNMENTAL\* REVENUES BY SOURCE AND TRANSFERS FROM OTHER FUNDS

Last Ten Fiscal Years

(amounts expressed in thousands)

<b>Fiscal Year Ended June 30</b>	<b>Property Taxes</b>	<b>Licenses and Permits</b>	<b>Intergov- ernmental Revenue</b>	<b>Charges for Services</b>
1995	\$ 18,470	\$ 605	\$ 12,860	\$ 2,689
1996	19,255	559	15,001	2,657
1997	19,659	625	12,980	2,804
1998	20,635	651	12,881	2,488
** 1999	22,153	676	8,372	2,807
2000	24,271	707	9,158	2,850
2001	27,071	689	11,793	2,895
2002	28,623	874	9,054	3,180
*** 2003	31,977	961	12,193	4,663
2004	35,538	1,361	12,058	3,240

**Notes:**

\* Includes General Fund, Special Revenue Funds and Debt Service Fund.

\*\* In FY99, Housing Authority was reported as an Enterprise Fund.

\*\*\* In FY03, Transit became part of the General Fund. Also in FY03, Capital Projects Funds are included.

<b>Use of Money and <u>Property</u></b>	<b><u>Miscellaneous</u></b>	<b>Transfers from <u>Other Funds</u></b>	<b><u>Total</u></b>
\$ 1,359	\$ 1,574	\$ 6,133	\$ 43,690
1,306	1,885	6,485	47,148
1,344	1,861	7,068	46,341
1,645	2,057	7,209	47,566
1,076	2,116	7,384	44,584
898	2,243	8,421	48,548
1,080	2,175	7,906	53,609
860	2,833	9,090	54,514
986	2,569	15,172	68,521
1,002	4,377	14,614	72,190



# CITY OF IOWA CITY, IOWA

## PROPERTY TAX BUDGETS AND COLLECTIONS

Last Ten Fiscal Years  
(Cash Basis)

(amounts expressed in thousands)

Assessment <u>Year</u>	Collection <u>Year</u>	Total Tax <u>Budgeted</u>	Current Tax <u>Collections</u>	Percent of Budget <u>Collected</u>	Delinquent Tax <u>Collections</u>	Total Tax <u>Collections</u>	Total as a Percent of <u>Current Budget</u>
1993	1994-95	\$ 18,484	\$ 18,440	99.8 %	\$ 24	\$ 18,464	99.9 %
1994	1995-96	19,264	19,234	99.8	14	19,248	99.9
1995	1996-97	19,766	19,765	100.0	17	19,782	100.1
1996	1997-98	20,807	20,521	98.6	8	20,529	98.7
1997	1998-99	21,735	21,842	100.5	22	21,864	100.6
1998	1999-00	23,945	23,989	100.2	5	23,994	100.2
1999	2000-01	26,089	25,684	98.4	31	25,715	98.6
2000	2001-02	27,920	28,423	101.8	5	28,428	101.8
2001	2002-03	31,975	31,863	99.6	16	31,879	99.7
2002	2003-04	34,073	34,009	99.8	23	34,032	99.9

**CITY OF IOWA CITY, IOWA**  
**PROPERTY TAX RATES AND TAX DOLLARS BUDGETED**

Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Rates <sup>1</sup>								Agri- cultural Land Tax Rate
	General	Library	Employee Benefits	Emergency	Tort Liability	Debt Service	Transit	Total City Tax Rate	
1995	\$ 8.100	0.270	\$ 1.981	\$ -	\$ -	\$ 1.661	\$ 0.942	\$ 12.954	\$ 3.004
1996	8.100	0.270	1.963	-	-	1.709	0.950	12.992	3.004
1997	8.100	0.270	2.133	-	-	1.200	0.950	12.653	3.004
1998	8.100	0.270	2.026	-	-	1.704	0.950	13.050	3.004
1999	8.100	0.270	1.834	-	0.111	1.868	0.950	13.133	3.004
2000	8.100	0.270	2.009	-	0.222	2.300	0.950	13.851	3.004
2001	8.100	0.270	1.955	0.270	0.222	2.990	0.950	14.757	3.004
2002	8.100	0.270	2.111	0.270	0.206	2.945	0.949	14.850	3.004
2003	8.100	0.270	2.847	0.270	0.216	4.161	0.950	16.814	3.004
2004	8.100	0.270	3.192	0.270	0.244	4.570	0.950	17.596	3.004

<b>Fiscal Year Ended June 30</b>	<b>Tax Dollars Budgeted<sup>2</sup></b>							<b>Agri- cultural Land</b>	<b>Total</b>
	<b>General</b>	<b>Library</b>	<b>Employee Benefits</b>	<b>Emergency</b>	<b>Tort Liability</b>	<b>Debt Service</b>	<b>Transit</b>		
1995	\$ 11,549	\$ 385	\$ 2,824	\$ -	\$ -	\$ 2,377	\$ 1,343	6	\$ 18,484
1996	11,998	400	2,908	-	-	2,545	1,407	6	19,264
1997	12,637	421	3,327	-	-	1,892	1,482	7	19,766
1998	12,893	430	3,225	-	-	2,740	1,512	7	20,807
1999	13,380	446	3,030	-	183	3,120	1,569	7	21,735
2000	13,982	466	3,468	-	381	4,002	1,640	6	23,945
2001	14,296	477	3,451	477	392	5,312	1,677	7	26,089
2002	15,191	506	3,963	506	402	5,563	1,782	7	27,920
2003	15,391	513	5,409	513	410	7,927	1,805	7	31,975
2004	15,654	522	6,169	522	471	8,892	1,836	7	34,073

**Notes:**

<sup>1</sup>Tax rate per \$1,000 of taxable valuation.

<sup>2</sup>Amounts expressed in thousands.

## CITY OF IOWA CITY, IOWA

### PROPERTY TAX, ROAD USE TAX AND HOTEL/MOTEL TAX REVENUES

Last Ten Fiscal Years

(amounts expressed in thousands)

<b>Fiscal Year Ended June 30</b>	<b><u>Property Tax</u></b>	<b><u>Road Use Tax</u></b>	<b><u>Hotel/Motel Tax</u></b>	<b><u>Total</u></b>
1995	\$ 18,470	\$ 3,637	\$ 574	\$ 22,681
1996	19,255	4,106	464	23,825
1997	19,659	4,253	427	24,339
1998	20,635	4,087	501	25,223
1999	22,153	4,575	570	27,298
2000	24,271	4,928	554	29,753
2001	27,071	4,852	497	32,420
2002	28,623	5,077	646	34,346
2003	31,966	5,103	559	37,628
2004	35,538	5,311	580	41,429

## CITY OF IOWA CITY, IOWA

### ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY AND EXEMPT PROPERTY

Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Assessment January 1</u>	<u>Collection Year Ended June 30</u>	<u>Taxable Property Assessed Value/ Estimated Actual Value</u>	<u>Exempt Property Value</u>
1995	1997	\$ 2,146,528	\$ 98,450
1996	1998	2,185,167	111,672
1997	1999	2,373,523	114,154
1998	2000	2,423,557	123,068
1999	2001	2,597,827	128,115
2000	2002	2,699,944	136,493
2001	2003	2,920,580	137,713
2002	2004	2,975,254	152,991
2003	2005	3,214,973	155,407
2004	2006	3,322,001	176,188

**Source:** City of Iowa City Assessor's Office

**Notes:**

Property is reassessed in the odd numbered years to make adjustments to all property values, according to current market values.

As per the Code of Iowa, all real and tangible personal property subject to taxation shall be valued at its actual value and, except as otherwise provided, shall be reassessed at 100% of its actual value, and the value so assessed shall be taken and considered as the assessed value and taxable value of the property upon which the levy shall be made.

Taxable property includes real property, buildings and structures, industrial plant and fixtures, commercial equipment assessed as real property and utilities distribution property.

Exempt property includes all property that is owned by religious and educational institutions, charitable and benevolent societies, low-rent housing and associations for war veterans. Each must apply for property tax exempt status with the City Assessor, who determines if the property qualifies under state guidelines. Exempt property is assessed each year like other taxable property. Property owned by governmental entities is not taxable and is not included in "Exempt Property."

# CITY OF IOWA CITY, IOWA

## PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

(per \$1,000 assessed valuation)

<b>Collection Year</b>	<b>Iowa City School District</b>	<b>City of Iowa City</b>	<b>Johnson County<sup>1</sup></b>	<b>Kirkwood Community College</b>	<b>State of Iowa</b>	<b>Total</b>	<b>Ratio of Iowa City to Total</b>
1994-95	\$ 12.338	\$ 12.954	\$ 6.431	\$ 0.530	\$ 0.005	\$ 32.258	40.2 %
1995-96	12.634	12.992	5.790	0.593	0.005	32.014	40.6
1996-97	12.130	12.653	5.515	0.589	0.005	30.892	41.0
1997-98	12.220	13.050	5.414	0.595	0.005	31.284	41.7
1998-99	12.075	13.133	5.747	0.567	0.005	31.527	41.7
1999-00	11.696	13.851	5.947	0.613	0.005	32.112	43.1
2000-01	11.833	14.757	5.901	0.607	0.005	33.104	44.6
2001-02	11.540	14.850	5.802	0.607	0.005	32.803	45.3
2002-03	12.210	16.813	6.061	0.666	0.004	35.754	47.0
2003-04	12.865	17.596	6.102	0.679	0.004	37.246	47.2

**Source:** "Tax Levies for Johnson County, Iowa," compiled by the Johnson County Auditor.

**Note:**

<sup>1</sup>Includes Johnson County, the City of Iowa City Assessor and Agricultural Extension levies.

# CITY OF IOWA CITY, IOWA

## PRINCIPAL TAXPAYERS AND EMPLOYERS

Fiscal Year Ended June 30, 2004

(amounts expressed in thousands)

<u>Ten largest taxpayers<sup>1</sup></u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>% of Total Assessed Valuation</u>
Mid-American Energy Company <sup>2</sup>	Public Gas and Electric Utility	\$ 45,505	1.53 %
James & Loretta Clark	Apartments	26,937	0.91
ACT Inc. (formerly American College Testing Program)	Educational Testing Service	22,409	0.75
Southgate Development Company	Real Estate Developer	18,753	0.63
NCS Pearson	Information Services	16,652	0.56
Procter & Gamble Manufacturing Company	Personal Products Manufacturing	16,546	0.56
Hy Vee	Grocery supermarket	14,186	0.48
Edwin & Ethel Barker & Barker Partnership	Apartments	12,481	0.42
M G D LC (Sycamore Mall)	Shopping Mall	10,991	0.37
Moen Group	Real Estate Developer	<u>10,295</u>	<u>0.35</u>
Total		<u>\$ 194,755</u>	<u>6.56 %</u>

<u>Ten major employers<sup>3</sup></u>	<u>Employees</u>
University of Iowa	23,608
Iowa City Community School District	1,728
ACT Inc. (formerly American College Testing Program)	1,334
NCS Pearson	1,300
Veterans Administration Medical Center	1,200
Mercy Hospital	1,150
Hy-Vee	927
Lear Corporation	850
City of Iowa City	600
Gillette Canada (Oral B Laboratories)	500

### Sources:

<sup>1</sup>City of Iowa City Assessor's Office-2003 Annual Report - Assessment January 1, 2003, payable 2005

<sup>2</sup>State Department of Revenue

<sup>3</sup>Iowa Workforce Development and Iowa City Area Chamber of Commerce (including full- and part-time employees)

# CITY OF IOWA CITY, IOWA

## SPECIAL ASSESSMENT COLLECTIONS

Last Ten Fiscal Years

(amounts expressed in thousands)

<b>Fiscal Year Ended June 30</b>	<b>Special Assessments Billed</b>	<b>Special Assessments Collected</b>	<b>Ratio of Collection to Amount Billed</b>	<b>Total Outstanding Assessments</b>
1995	\$ 26	\$ 44	169.2	\$ 20
1996	36	50	138.9	225
1997	22	80	363.6	145
1998	17	31	182.4	114
1999	15	21	140.0	89
2000	15	32	213.3	57
2001	9	12	133.3	48
2002	9	9	100.0	35
2003	9	7	77.8	27
2004	9	9	100.0	18

**Source:** Johnson County Treasurer's Office

**Note:**

"Special Assessments Collected" includes amounts received on special assessments, past due assessments and future installments.

**CITY OF IOWA CITY, IOWA**

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT<sup>1</sup>  
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita)

<u>Assessment as of January 1</u>	<u>Population</u>	<u>Assessed Value<sup>2</sup></u>	<u>Debt</u>			<u>Net General Obligation Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
			<u>Gross Bonded Debt</u>	<u>Payable from Proprietary and Expendable Trust Funds</u>	<u>Debt Service Fund Balance</u>			
1995	59,738	\$ 2,146,528	\$ 23,655	\$ 12,993	\$ 504	\$ 10,158	4.73:1000	\$ 170
1996	59,738	2,185,167	29,430	20,399	655	8,376	3.83:1000	140
1997	60,148	2,373,523	31,390	17,144	643	13,603	5.73:1000	226
1998	60,148	2,423,557	41,675	20,903	616	20,156	8.32:1000	335
1999	60,148	2,597,827	46,165	18,832	347	26,986	10.39:1000	449
2000	60,148	2,699,944	41,190	16,762	192	24,236	8.98:1000	403
2001	62,220	2,920,580	61,565	14,868	494	46,203	15.82:1000	743
2002	62,220	2,975,254	85,260	13,061	464	71,735	24.12:1000	1,153
2003	62,380	3,214,973	83,000	11,359	4,448	67,193	20.90:1000	1,077
2004	62,380	3,322,001	85,085	9,640	6,930	68,515	20.62:1000	1,098

**Notes:**

<sup>1</sup>General Obligation bonds.

<sup>2</sup>Obtained from the City of Iowa City Assessor's Office.



**CITY OF IOWA CITY, IOWA**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL\* EXPENDITURES**

Last Ten Fiscal Years

(amounts expressed in thousands)

<b>Fiscal Year Ended <u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>	<b><u>Total General Governmental Expenditures and Transfers</u></b>	<b><u>Ratio of Debt Service to General Expenditures</u></b>
1995	\$ 1,808	\$ 559	\$ 2,367	\$ 40,825	.06 : 1.00
1996	1,939	580	2,519	46,614	.05 : 1.00
1997	1,499	464	1,963	45,690	.04 : 1.00
1998	1,988	739	2,727	47,311	.06 : 1.00
1999	2,452	1,038	3,490	45,851	.08 : 1.00
2000	2,918	1,360	4,278	52,727	.08 : 1.00
2001	3,541	1,763	5,304	53,898	.10 : 1.00
2002	3,599	2,136	5,735	53,462	.11 : 1.00
** 2003	4,742	3,683	8,425	82,001	.10 : 1.00
2004	5,172	3,336	8,508	83,445	.10 : 1.00

\* General Fund, Special Revenue Funds and Debt Service Fund.

\*\* Beginning in FY03, Capital Projects Funds are also included.

**CITY OF IOWA CITY, IOWA**

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

June 30, 2004

(amounts expressed in thousands, except per capita)

<u>Name of Governmental Unit</u>	<u>Total General Long-Term Bonded Debt Outstanding</u>	<u>% Applicable to the City of Iowa City</u>	<u>Amount Applicable to the City of Iowa City</u>	<u>Per Capita</u>
City of Iowa City	\$ 85,085	100.00%	\$ 85,085	\$ 1,364
Iowa City Community School District	38,495	62.35%	24,002	385
Total	<u>\$ 123,580</u>		<u>\$ 109,087</u>	<u>\$ 1,749</u>
Per capita assessed value				<u>\$ 47,696</u>

**Source:** Johnson County Auditor's Office

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF REVENUE BOND COVERAGE**

Last Ten Fiscal Years

(amounts expressed in thousands)

<b>Fiscal Year Ended June 30</b>	<b>Revenue</b>	<b>Expenses<sup>1</sup></b>	<b>Net Revenue Available for Debt Service</b>	<b>Annual Debt Service</b>			<b>Ratio of Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
<b>Parking Revenue<sup>2</sup></b>							
1995	\$ 3,205	\$ 1,543	\$ 1,662	\$ 295	\$ 322	\$ 617	2.69
1996	3,252	1,465	1,787	310	316	626	2.85
1997	3,338	1,950	1,388	330	218	548	2.53
1998	3,822	1,770	2,052	390	195	585	3.51
1999	3,653	1,713	1,940	415	168	583	3.33
2000	3,716	1,861	1,855	455	139	594	3.12
2001	4,309	2,176	2,133	485	836	1,321	1.61
2002	4,272	1,960	2,312	510	746	1,256	1.84
2003	4,198	1,953	2,245	375	715	1,090	2.06
2004	4,164	2,319	1,845	395	687	1,082	1.71
<b>Wastewater Treatment Revenue<sup>3</sup></b>							
1995	\$ 7,244	\$ 2,403	\$ 4,841	\$ 1,165	\$ 2,292	\$ 3,457	1.40
1996	9,656	2,506	7,150	1,230	2,205	3,435	2.08
1997	11,040	2,739	8,301	1,295	2,923	4,218	1.97
1998	11,066	2,809	8,257	1,490	3,382	4,872	1.69
1999	11,362	2,987	8,375	2,065	3,519	5,584	1.50
2000	11,872	3,259	8,613	2,160	3,691	5,851	1.47
2001	12,824	3,248	9,576	2,505	3,589	6,094	1.57
2002	12,501	3,389	9,112	3,005	4,236	7,241	1.26
2003	13,000	4,463	8,537	3,060	4,385	7,445	1.15
2004	12,947	4,523	8,424	3,280	3,672	6,952	1.21
<b>Water Revenue<sup>4</sup></b>							
1999	\$ 8,571	\$ 3,295	\$ 5,276	\$ -	\$ -	\$ -	0.00
2000	9,626	3,384	6,242	-	299	299	20.88
2001	10,629	3,410	7,219	140	445	585	12.34
2002	10,179	3,428	6,751	705	1,175	1,880	3.59
2003	10,241	4,361	5,880	500	1,088	1,588	3.70
2004	10,627	4,360	6,267	925	1,427	2,352	2.66

**Notes:**

<sup>1</sup>Excludes depreciation and interest.

<sup>2</sup>Parking Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.25.

<sup>3</sup>Wastewater Treatment Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.10.

<sup>4</sup>Water Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.10.

# CITY OF IOWA CITY, IOWA

## DEMOGRAPHIC STATISTICS

<u>Calendar Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>Median Family Income</u>	<u>Education Level<sup>1</sup></u>	<u>Retail Sales<sup>2</sup> (Approx.)</u>
1950	27,212	N/A	25.3	\$ 3,245	68.1 %	\$ 34,993,000
1960	33,443	\$ 1,914	24.1	5,769	69.5	46,607,000
1970	46,850	3,025	22.6	9,942	82.1	84,322,000
1974	47,744	4,465	23.4	9,942	82.1	125,920,000
1980	50,508	7,247	24.6	22,325	89.5	215,305,000
1990	59,738	13,277	24.8	39,259	93.9	464,800,000
1996	60,148	N/A	24.8	N/A	N/A	657,700,000
2000	62,380	20,269	25.4	57,568	94.8	756,100,000

**Source:** U.S. Department of Commerce, Bureau of the Census

**Notes:**

<sup>1</sup>Percent of Population completing 12 years of formal schooling or more.

<sup>2</sup>Iowa Retail Sales & Use Report, Iowa Department of Revenue and Finance.

N/A - Not Available

<b>Fiscal Year</b>	<b><u>School Enrollment</u></b>		<b>Unemployment</b>
<b><u>Ended June 30</u></b>	<b><u>Public</u><sup>3</sup></b>	<b><u>Private</u><sup>4</sup></b>	<b><u>Rate</u><sup>5</sup></b>
1995	10,233	920	3.1
1996	10,448	921	2.7
1997	10,444	850	2.8
1998	10,562	868	2.4
1999	10,592	887	2.5
2000	10,619	924	2.0
2001	10,674	929	2.4
2002	10,785	912	3.2
2003	10,768	932	3.5
2004	10,943	942	4.0

**Sources:**

<sup>3</sup>Iowa City Community School District

<sup>4</sup>Local private schools

<sup>5</sup>Iowa Workforce Development Center

# CITY OF IOWA CITY, IOWA

## PROPERTY VALUE, BUILDING PERMITS AND BANK DEPOSITS

Last Ten Fiscal Years

(dollar amounts expressed in thousands)

Fiscal Year Ended June 30	Property Value <sup>1</sup>		New Construction	
	<u>Real</u>	<u>Exempt</u>	<u>Number of Permits</u>	<u>Value of Permits<sup>2</sup></u>
1995	\$ 2,146,528	\$ 98,450	215	\$ 40,481
1996	2,185,167	111,672	145	32,943
1997	2,373,523	114,154	161	45,339
1998	2,423,557	123,068	224	34,966
1999	2,597,827	128,115	320	45,381
2000	2,699,944	136,493	277	125,129
2001	2,920,580	137,713	191	79,329
2002	2,975,254	152,991	215	93,977
2003	3,214,973	155,407	275	65,829
2004	3,322,001	176,188	304	145,129

**Notes:**

<sup>1</sup>Source: Iowa City Assessor's Office

<sup>2</sup>Permit values are based on estimated construction costs.

<sup>3</sup>Local bank offices - Hills Bank & Trust Company, Commercial Federal Savings Bank, Iowa State Bank & Trust Company, West Bank, U S Bank, Farmers & Merchants Savings Bank, Wells Fargo, Federal Employees Credit Union and the University of Iowa Community Credit Union.

<b>Remodeling Repair and Additons</b>		<b>Total Building Permits</b>		<b>Bank and Credit Union Deposits<sup>3</sup></b>	
<b><u>Number of Permits</u></b>	<b><u>Value of Permits<sup>2</sup></u></b>	<b><u>Number of Permits</u></b>	<b><u>Value of Permits</u></b>		
436	\$ 10,915	651	\$ 51,396	\$	854,155
478	10,249	623	43,192		928,208
512	12,536	673	57,875		1,050,620
739	14,880	963	49,846		1,073,583
579	22,618	899	67,999		1,140,367
678	28,677	955	153,806		1,183,757
579	25,101	770	104,430		1,107,410
577	24,660	792	118,637		1,060,390
606	44,336	881	110,165		1,140,410
654	39,840	958	184,969		1,267,156

**CITY OF IOWA CITY, IOWA**

**PARKING RATES**

Last Ten Fiscal Years

<b>Fiscal Year End June 30</b>	<b>On-Street Meters (per hour)</b>	<b>Off-Street Meters (per hour)</b>	<b>CBD Meters<sup>2</sup> (per hour)</b>	<b>Ramps (per hour)</b>	<b>Peripheral Lots<sup>1</sup> (per month)</b>	<b>Commercial Ramp Permits (per month)</b>	<b>Overtime Parking Violation</b>
1995	\$ 0.30	\$ 0.30	\$ 0.50	\$ 0.45 <sup>3</sup> 0.50 <sup>4</sup> 0.30 <sup>5</sup>	\$ 35	\$ 45 <sup>3</sup> 55 <sup>4</sup> 35 <sup>5</sup>	\$ 3
1996	0.30	0.30	0.50	0.45 <sup>3</sup> 0.50 <sup>4</sup> 0.30 <sup>5</sup>	35	45 <sup>3</sup> 55 <sup>4</sup> 35 <sup>5</sup>	3
1997	0.40	0.40	0.60	0.50 <sup>3</sup> 0.50 <sup>4</sup> 0.40 <sup>5</sup>	40	45 <sup>3</sup> 55 <sup>4</sup> 45 <sup>5</sup>	3
1998	0.40	0.40	0.60	0.50 <sup>3</sup> 0.50 <sup>4</sup> 0.40 <sup>5</sup>	40	45 <sup>3</sup> 55 <sup>4</sup> 45 <sup>5</sup>	3
1999	0.40	0.40	0.60	0.50 <sup>3</sup> 0.50 <sup>4</sup> 0.40 <sup>5</sup>	40	45 <sup>3</sup> 55 <sup>4</sup> 45 <sup>5</sup>	3
2000	0.40	0.40	0.60	0.50 <sup>3</sup> 0.50 <sup>4</sup> 0.40 <sup>5</sup>	40	45 <sup>3</sup> 55 <sup>4</sup> 45 <sup>5</sup>	3
2001	0.40	0.60	0.60	0.60 <sup>3</sup> 0.60 <sup>4</sup> 0.50 <sup>5</sup> 0.60 <sup>6</sup>	45	50 <sup>3</sup> 60 <sup>4</sup> 45 <sup>5</sup> 60 <sup>6</sup>	3
2002	0.40	0.60	0.60	0.60 <sup>3</sup> 0.60 <sup>4</sup> 0.50 <sup>5</sup> 0.60 <sup>6</sup>	45	50 <sup>3</sup> 60 <sup>4</sup> 45 <sup>5</sup> 60 <sup>6</sup>	3
2003	0.40	0.60	0.60	0.60 <sup>3</sup> 0.60 <sup>4</sup> 0.50 <sup>5</sup> 0.60 <sup>6</sup>	45	50 <sup>3</sup> 60 <sup>4</sup> 45 <sup>5</sup> 60 <sup>6</sup>	3
2004	0.40	0.60	0.60	0.60 <sup>3</sup> 0.60 <sup>4</sup> 0.50 <sup>5</sup> 0.60 <sup>6</sup>	55	60 <sup>3</sup> 70 <sup>4</sup> 55 <sup>5</sup> 70 <sup>6</sup>	5

**Notes:**

<sup>1</sup>Employees of the City of Iowa City pay half-price for permits in the peripheral lots.

<sup>2</sup>CBD refers to Central Business District.

<sup>3</sup>Dubuque Street Ramp.

<sup>4</sup>Capitol Street Ramp.

<sup>5</sup>Chauncey Swan Ramp.

<sup>6</sup>Tower Place Ramp.

**CITY OF IOWA CITY, IOWA**

**SCHEDULE OF LIABILITY AND PROPERTY INSURANCE IN FORCE**

June 30, 2004

<b>Insurance Company</b>	<b>Type of Coverage</b>	<b>Limits of Coverage</b>	<b>Term of Policy</b>	<b>Policy #</b>	<b>Annual Premium</b>
Genesis Insurance Company	Comprehensive general liability, auto liability, police professional liability, workers' compensation, public officials errors and omissions liability.  Blanket building and contents, contractor's equipment, EDP, auto physical damage, flood and earthquake included at \$15 million sub-limit.	\$10 million general aggregate - occurrence; \$500,000 self-insured retention (SIR) for liability and \$300,000 SIR for workers' compensation.  \$201,264,087 agreed amt. per occurrence; deductible on property section is \$200,000 per event and \$425,000 aggregate	6/03-6/04   6/03-6/04	YXB300792C ZAB300789C GDX014376C	\$758,022
Old Republic Insurance Company	Airport premises liability and ground hangarkeeper's legal liability.	\$5 million/combined single limit; \$1 million/aircraft	6/03-6/04	PR163104	\$7,798
Cincinnati Insurance Company	Boiler and machinery coverage at fifteen locations.	\$25,000,000 aggregate; \$10,000 deductible	6/03-6/06	BEP 2663128	\$11,758
Selective Insurance Company of Southeast	Flood coverage on property located in flood zone A.	\$5,000 deductible on building; \$5,000 on contents; maximum coverage-\$500,000 per building and \$500,000 contents per location.	6/03-6/04	RI00541951/953/954/ 956/957/959/961	\$13,276
Assisted Housing Risk Management Association	Public Housing Pool: general liability and property damage coverage.	\$1 million per occurrence on liability/\$2 million aggregate; \$25 million on property damage	1/04-1/05	P100188059 L100188058	\$14,212
<b>Employee Dishonesty:</b> Cincinnati Insurance Company	Public employees dishonesty coverage	\$1,000,000 per occurrence	6/03-6/06	B-80-444877	\$14,908



**CITY OF IOWA CITY, IOWA**  
**MISCELLANEOUS STATISTICAL DATA**

Year ended June 30, 2004

Date of incorporation	April 6, 1853
Form of government	Council/Manager
Area	16,602 acres
Miles of streets:	
Paved (approx.)	251
Unpaved (approx.)	8
Number of street lights	3,352
Police protection:	
Number of stations	1
Number of sworn personnel	71
Fire protection:	
Number of stations	3
Number of sworn personnel	56
Municipal water department:	
Number of active accounts	23,077
Average daily consumption (in gallons)	5,742,000
Miles of water mains (approx.)	269
Sewers:	
Sanitary lift stations (active)	11
Miles of sanitary sewers (approx.)	274
Cemetery	1
Recreation:	
Municipal parks:	
Number of parks/public open spaces	61
Number of acres	1,400
Golf courses non-municipal	5
Other municipal facilities:	
Recreation Center	2
Ball diamonds	29
Soccer fields	25
Tennis courts	12
Swimming pools	3
Senior Center	1
Parking:	
Parking ramps/spaces	4/2,537
Parking lots/spaces	6/331
On-street meters	873

*(continued)*

**CITY OF IOWA CITY, IOWA**  
**MISCELLANEOUS STATISTICAL DATA**

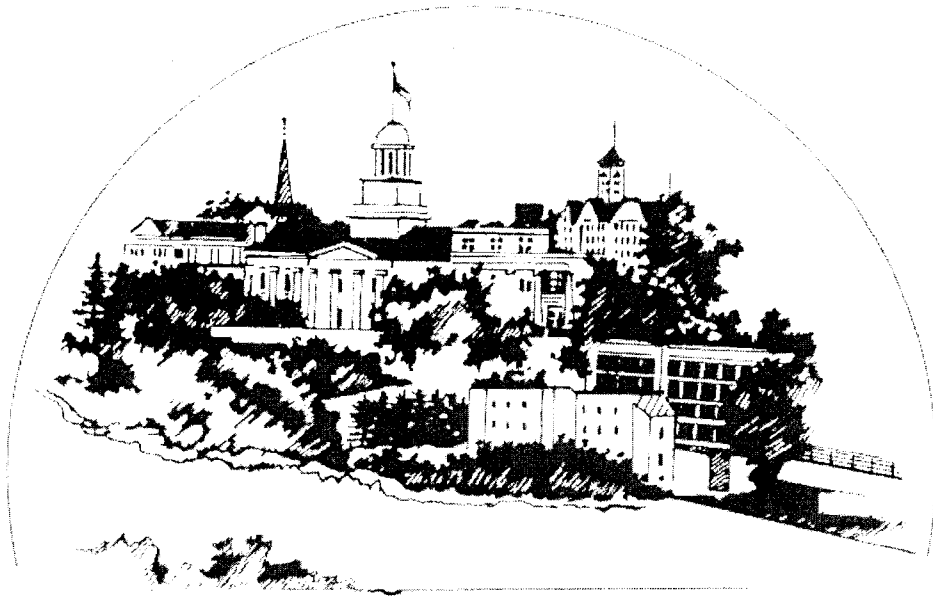
Year ended June 30, 2004  
(concluded)

Landfill:	
Number of charge customers	504
Tons (charge and cash)	108,155
Sanitation:	
Number of customers	13,983
Tons	8,716
Library:	
Number of volumes (approx.)	217,052
Registered cardholders	64,820
Educational Institutions <sup>1</sup> :	
Elementary schools	18
Junior high schools	2
High schools	3
Alternative Learning Center	1
Vocational school	1
Community college	1
University	1
Hospitals	3
City Employees:	
Permanent	620
Temporary	706
Elections <sup>2</sup> :	
Last general election - 2002	
Registered voters	42,556
Number of votes cast	20,818
Percentage voting	48.9%
Last municipal election - 2003	
Registered voters	38,849
Number of votes cast	8,101
Percentage voting	20.9%

**Source:**

<sup>1</sup>Iowa City Community School District and local private school offices.

<sup>2</sup>Johnson County Auditor





CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

---

To the Honorable Mayor and Members of the City Council  
City of Iowa City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City of Iowa City's basic financial statements, and have issued our report thereon dated November 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non-compliance that is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Iowa City, Iowa. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. The prior year statutory comment has been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated November 15, 2004. The prior year reportable conditions have been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Iowa City, Iowa, and other parties to whom the City of Iowa City, Iowa, may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Iowa City, Iowa, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Erin Bailey LLP*

Dubuque, Iowa  
November 15, 2004



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

---

To the Honorable Mayor and Members of the City Council  
City of Iowa City, Iowa

Compliance

We have audited the compliance of the City of Iowa City, Iowa, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Iowa City, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the City of Iowa City, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted not matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Iowa City, Iowa, and other parties to whom the City of Iowa City, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Erin Bailey LLP*

Dubuque, Iowa  
November 15, 2004

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2004**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Housing and Urban Development:			
Community Development Block Grants/ Entitlement Grants	14.218	B-02-MC-19-0009	\$ 640,585
Community Development Block Grants/ Entitlement Grants	14.218	B-03-MC-19-0009	66,305
			<u>706,890</u>
HOME Investment Partnerships Program	14.239	M-01-MC-19-0205	105,130
HOME Investment Partnerships Program	14.239	M-03-MC-19-0205	109,064
HOME Investment Partnerships Program	14.239	M-00-MC-19-0205	5,659
HOME Investment Partnerships Program	14.239	M-02-MC-19-0205	462,982
			<u>682,835</u>
Public and Indian Housing	14.850	IA022-304J	<u>167,759</u>
Resident Opportunity and Supportive Services	14.870	IA00RSF022P0017	<u>55,642</u>
Section 8 Housing Choice Vouchers	14.871	KC9033	<u>6,476,663</u>
Public Housing Capital Fund	14.872	IA05902250101	98,025
Public Housing Capital Fund	14.872	IA05902250102	60,038
			<u>158,063</u>
Department of Justice:			
Local Law Enforcement Block Grants Program	16.592	2001-LB-BX-1975	48,505
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-0986	42,045
			<u>90,550</u>
Bulletproof Vest Partnership Program	16.607	2003BUBX03015610	<u>1,869</u>
Department of Transportation:			
Federal Transit-Capital Investment Grants	20.500	IA-03-0086	2,858,190
Federal Transit-Formula Grants	20.507	IA-90-X258	45,213
Federal Transit-Formula Grants	20.507	IA-90-X274	439,025
Federal Transit-Formula Grants	20.507	IA-90-X242	45,277
			<u>3,387,705</u>
Airport Improvement Program	20.106	3-19-0047-10	<u>89,139</u>
Total direct			<u>11,817,115</u>

(continued)



**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2004**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Emergency Shelter Grants Program	14.231	03-ES-004	\$ 90,545
Department of Interior:			
State Historical Society of Iowa:			
Historic Preservation Fund Grants-in-Aid	15.904	20-03.007	\$ 6,987
Department of Justice:			
Governor's Office of Drug Control Policy:			
Byrne Formula Grant Program	16.579	03A-0232	51,281
Violence Against Women Formula Grants	16.588	VW-04-4359	27,538
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-1-5(69)- -2C-52	108,294
Highway Planning and Construction	20.205	STP-U-3715(620)- -70-52	1,222,698
			<u>1,330,992</u>
Federal Transit-Capital Investment Grants	20.500	IA-03-0092-375-01	16,456
Federal Transit-Capital Investment Grants	20.500	IA-03-0098-371-03	90,712
			<u>107,168</u>
Iowa Department of Transportation and Johnson County Council of Governments:			
State Planning and Research	20.515	04MPO-JCCOG	120,104
State Planning and Research	20.515	04SPR-JCCOG	5,000
			<u>125,104</u>
Department of Health and Human Services:			
University of Illinois at Chicago:			
HIV Care Formula Grant	93.917	N01-LM-1-3513	3,898
Total indirect			<u>1,743,513</u>
Total			<u>\$13,560,628</u>

See notes to the Schedule of Expenditures of Federal Awards.

**CITY OF IOWA CITY, IOWA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2004**

---

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Iowa City, Iowa, and is presented in conformity with the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2. SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the City of Iowa City, Iowa, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 373,323
Emergency Shelter Grants Program	14.231	84,495
HOME Investment Partnerships Program	14.239	593,936

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2004**

---

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were identified.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No reportable conditions in internal control over the major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA 14.218 – Community Development Block Grants/Entitlement Grants
  - CFDA 20.205 – Highway Planning and Construction
- Cluster of Programs:
  - CFDA 20.500 – Federal Transit – Capital Investment Grants
  - CFDA 20.507 – Federal Transit – Formula Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$406,819.
- (i) The City of Iowa City, Iowa, qualified as a low-risk auditee.

**Part II: Other Findings Related to Statutory Reporting:**

- II-A-04 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements during the year ended June 30, 2004, did not exceed the amounts budgeted.

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2004**

**Part II: Other Findings Related to Statutory Reporting: (continued)**

- II-C-04 Questionable Expenditures – Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Purpose</u>	<u>Amount</u>
Cookies for mayor while in the hospital	\$ 20
Gifts for departing council members	340
Flowers for former council member’s funeral	35

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – Staff is developing a policy which establishes procedures for these types of expenditures, including a requirement for written documentation.

Conclusion – Response accepted.

- II-D-04 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-E-04 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Matthew Hayek, Housing and Community Development Commission, member of Hayek, Hayek, Brown, Moreland & Hayek LLP	Legal services	\$ 378
Gary Haman, Board of Appeals, owner of Iowa City Plumbing	Supplies	\$ 89

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2004**

---

**Part II: Other Findings Related to Statutory Reporting: (continued)**

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Randy Hartwig, Airport Commission, Owner of Hartwig Motors	City vehicles	\$ 67,815
Dee Vanderhoef, City Council Member, owner of Iowa Book and Supply	Supplies	\$ 6,286

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since they were either less than \$1,500 or entered into through competitive bidding.

- II-F-04 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.
- II-I-04 Revenue Bonds – We noted no instances of non-compliance with the provisions of the City's revenue bond resolutions.